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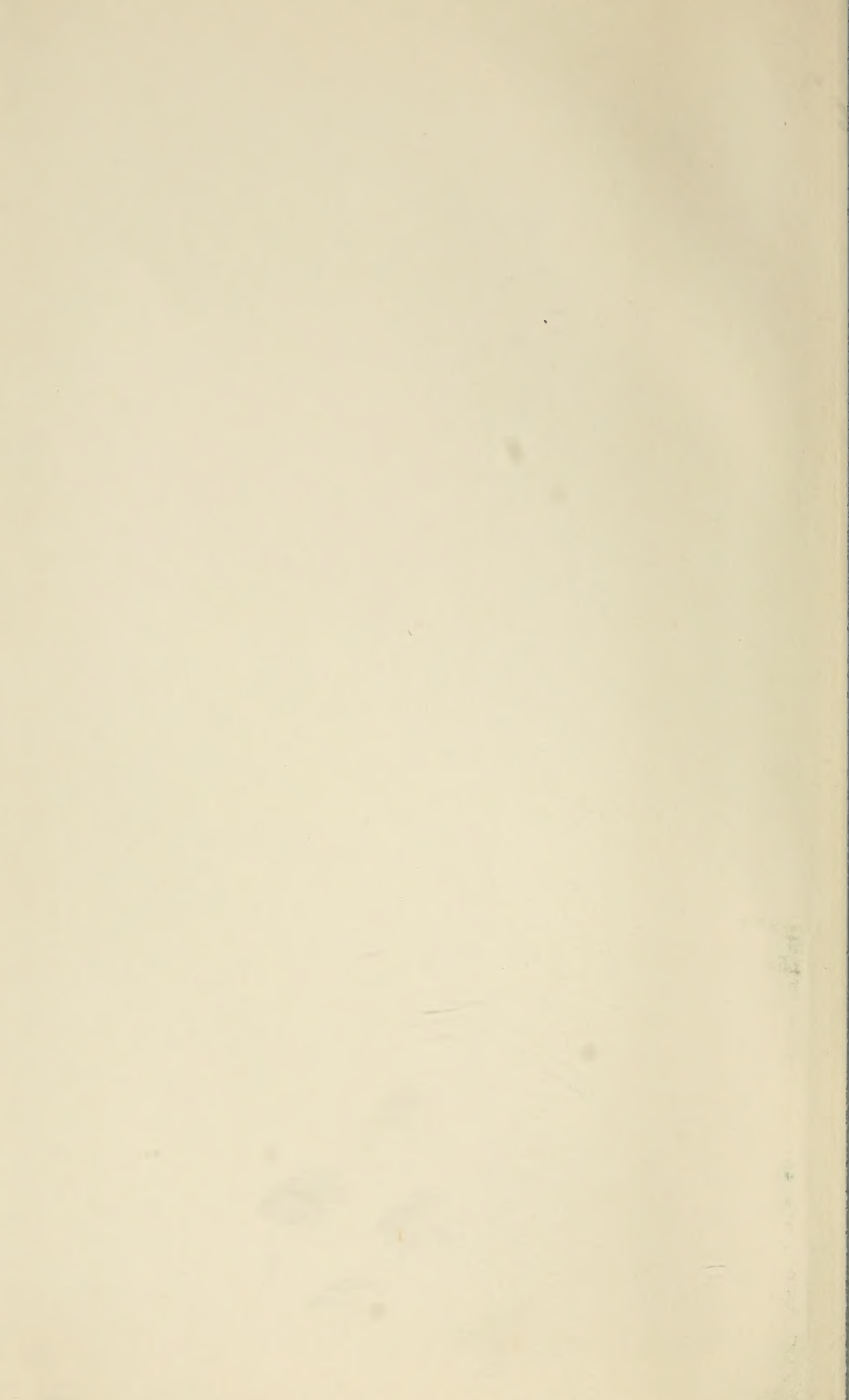
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030
No. 14520

**United States
Court of Appeals**
for the Ninth Circuit

MARK MYRES, Also Known as MARK MYERS,
Appellant,

vs.

UNITED STATES OF AMERICA,
Appellee.

Transcript of Record

**Appeal from the District Court
for the District of Alaska,
Fourth Division.**

FILED

JAN 26 1955

PAUL P. O'BRIEN,

CLERK



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for the Ninth Circuit

MARK MYRES, Also Known as MARK MYERS,
Appellant,

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Transcript of Record

**Appeal from the District Court
for the District of Alaska,
Fourth Division.**

No. 12520

County of Kings
State of New York

WILLIAM J. HAYES, Clerk of the County of Kings,
do hereby certify that

the within and foregoing is a true and correct
copy of the

Statement of Account

of the
County of Kings
for the year 1911

INDEX

[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

	PAGE
Attorneys of Record.....	1
Certificate of the Clerk.....	147
Complaint	3
Motion for Judgment of Acquittal.....	5
Motion for New Trial.....	6
Notice of Appeal.....	7
Order Denying Motion for New Trial.....	6
Statement of Points on Appeal.....	9
Transcript of Proceedings.....	10
Instructions to the Jury.....	138
Witnesses, Defendant's:	
Marler, Al	
—direct	121
—cross	124
—redirect	126
—recross	127
Myers, Mark	
—direct	89, 104
—cross	108
—redirect	119
Taylor, Jess	
—direct	128
—cross	130

INDEX

PAGE

Witnesses, Plaintiff's:	
Althouse, Charles	
—direct	47
—cross	53
—redirect	73
English, Edwin	
—direct	74, 132
—cross	78
—redirect	85
Morris, Gene	
—direct	12
—cross	20
—redirect	35, 46
—recross	37
Verdict	4

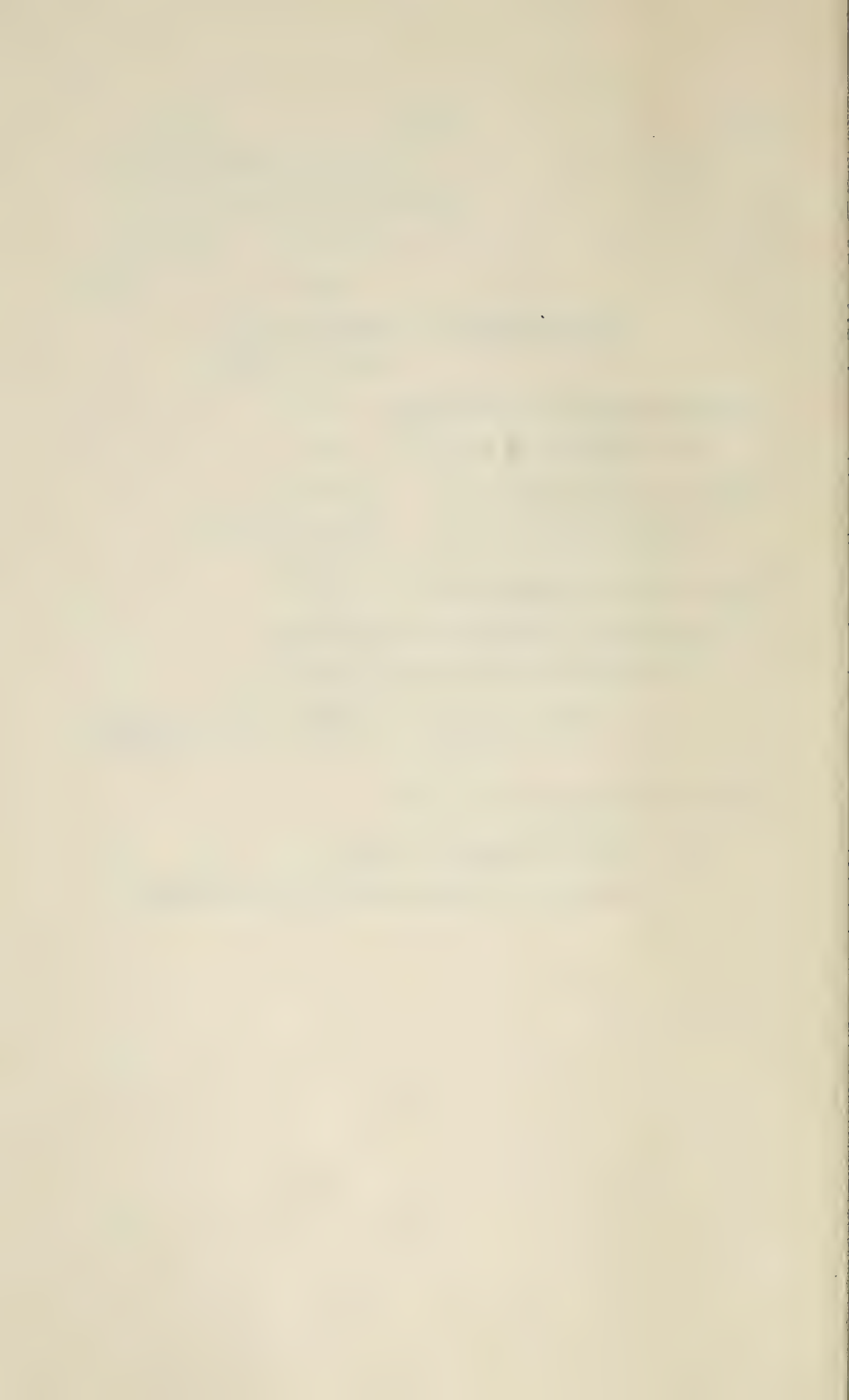
ATTORNEYS OF RECORD

THEODORE F. STEVENS,
United States Attorney;

GEORGE M. YEAGER,
Assistant United States Attorney;

PHILLIP W. MORGAN,
Assistant United States Attorney,
Box 111, Fairbanks, Alaska,
Attorneys for Plaintiff and Appellee.

GEORGE B. McNABB, JR.,
Box 1175, Fairbanks, Alaska,
Attorney for Defendant and Appellant.



United States Commissioner's Court
1870-Cr.—Fairbanks (Big Delta) Precinct
Fourth Division, Territory of Alaska

No. 43-B

UNITED STATES OF AMERICA

vs.

MARK MYERS

CRIMINAL COMPLAINT

Mark Myers is accused by Gene Morris in this complaint of the crime of Operating a Motor Vehicle While Under the Influence of Intoxicating Liquor, committed as follows:

The said Mark Myers on the 28th day of March, 1954, in Fairbanks (Big Delta) Precinct, Fourth Division, and Territory of Alaska, then and there being did then and there wilfully and unlawfully operate a motor vehicle upon a public highway, to wit, on the Richardson Highway, Big Delta Junction, south of the Town of Fairbanks, Alaska, while under the influence of intoxicating liquor, in violation of Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949, and against the peace and dignity of the United States of America.

/s/ GENE MORRIS.

United States of America,
Territory of Alaska—ss.

I, Gene Morris, being first duly sworn, upon oath
depose and say that the foregoing complaint is true.

/s/ GENE MORRIS.

Subscribed and sworn to before me this 29th day
of March, 1954.

[Seal] /s/ RAYMOND A. STIREWALT,
U. S. Commissioner and Ex
Officio Justice of the Peace.

[Endorsed]: Filed April 22, 1954.

In the District Court for the District of Alaska,
Fourth Judicial Division

No. 1870-Cr.

UNITED STATES OF AMERICA,
Plaintiff,

vs.

MARK MYERS,
Defendant.

VERDICT

We, the jury duly empaneled and sworn to try
the above-entitled cause, do from the law and evi-
dence herein find as follows:

That the defendant, Mark Myers, is Guilty of the
crime set forth in the Criminal Complaint, to wit,

operating a motor vehicle upon a public highway while under the influence of intoxicating liquor.

Done at Fairbanks, Alaska, this 10th day of June, 1954.

/s/ CHARLES S. KENDALL,
Foreman.

[Endorsed]: Filed and entered June 10, 1954.

[Title of District Court and Cause.]

MOTION FOR JUDGMENT OF ACQUITTAL

Comes Now the above-named defendant and moves the Court for a Judgment of Acquittal of the crime charged in the above-entitled and numbered action

1. That the verdict of the jury in finding the defendant guilty of the crime charged in said action was contrary to the law and the evidence in the case.

2. That the Government failed to show the defendant to have been intoxicated or under the influence of such intoxicants at the time set out in the Complaint.

3. That the defendant interposed timely motion for judgment of acquittal at the conclusion of the plaintiff's evidence, and again at the close of the entire evidence. That by the provisions of Rule 29 of the Federal Rules of Criminal Procedure, the defendant now moves this Court for Judgment of Acquittal of the crime charged.

Motion for a New Trial

Comes Now the above-named defendant, and, in the alternative, moves this Court for an Order granting the defendant a new trial upon the following grounds:

1. That the Court erred in denying defendant's motion for judgment of acquittal made at the close of plaintiff's evidence and again when the entire evidence had been submitted.

2. That the verdict was contrary to the weight of the evidence.

3. That the verdict was not supported by substantial evidence.

4. That the Government failed to show defendant's intoxication at or during any time of his driving the automobile.

/s/ EUGENE V. MILLER,
Of Defendant's Attorneys.

Receipt of copy acknowledged.

[Endorsed]: Filed June 14, 1954.

[Title of District Court and Cause.]

ORDER

The Government was represented by George M. Yeager, Assistant United States Attorney; the defendant was present and represented by Eugene V. Miller.

Respective counsel had argument on the defendant's motion for a Judgment of Acquittal and/or Motion for a New Trial.

It was Ordered that both motions be denied.

The defendant stated that he was ready for the passing of sentence.

Mr. Yeager presented a statement to the Court, followed by Mr. Miller.

It was the sentence of the Court that the defendant be confined for the period of six (6) months in the United States Jail at Fairbanks, to pay a fine of \$400.00, and a revocation of his driver's license for one year beginning today.

The defendant was remanded to the custody of the United States Marshal.

* * *

Entered June 30, 1954.

[Title of District Court and Cause.]

NOTICE OF APPEAL

Name and Address of Appellant:

Mark Myres,
Big Delta, Alaska.

Name and Address of Appellant's Attorney:

George B. McNabb, Jr.,
109 Lacey Street,
Fairbanks, Alaska.

Statement of Offense:

Defendant was tried, and by a jury convicted of the crime of operating a motor vehicle while under the influence of intoxicating liquors, in violation of Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949.

Statement of Judgment:

Defendant was on the 30th day of June, 1954, sentenced to serve a period of six (6) months in the Federal Jail, Fairbanks, Alaska; to pay a fine in the amount of Four Hundred (\$400.00) Dollars and to have his motor vehicle driver's license revoked for a period of one (1) year.

Statement of Appeal:

Defendant hereby appeals to the United States Court of Appeals for the Ninth Circuit from the above-stated Judgment and sentence entered in the above-entitled and numbered cause.

Dated at Fairbanks, Alaska, this 7th day of July, 1954.

/s/ MARK MYRES,

MARK MYRES,
Appellant.

Receipt of copy acknowledged.

[Endorsed]: Filed July 9, 1954.

[Title of District Court and Cause.]

STATEMENT OF POINTS ON APPEAL

Defendant-Appellant states the following points upon which he will rely upon appeal:

1. The Court erred in overruling Defendant's objection to testimony offered on behalf of Plaintiff.

2. The Court erred in admitting into evidence Plaintiff's Exhibit A.

3. The Court erred in denying Defendant's Motion for Judgment of Acquittal made at the close of Plaintiff's evidence.

4. The Court erred in denying Defendant's Motion for Judgment of Acquittal made at the close of all the evidence.

5. The verdict of the jury is contrary to the law.

6. The verdict of the jury is contrary to the evidence.

7. The Court erred in denying Defendant's Motion for New Trial.

Dated at Fairbanks, Alaska, this 14th day of September, 1954.

/s/ GEORGE B. McNABB, JR.,
Attorney for Defendant-
Appellant.

Receipt of copy acknowledged.

[Endorsed]: Filed September 14, 1954.

In the District Court for the District of Alaska,
Fourth Judicial Division

No. 1870-Cr.

UNITED STATES OF AMERICA,

Plaintiff,

vs.

MARK MYERS,

Defendant.

PROCEEDINGS

Appearances:

THEODORE F. STEVENS,
United States Attorney, and
GEORGE M. YEAGER,
Assistant U. S. Attorney,
Attorneys for Plaintiff.

WARREN A. TAYLOR and
EUGENE V. MILLER,
Attorneys for Defendant.

* * *

Be It Remembered, that at 10:00 a.m., upon the 9th day of June, 1954, the trial of this cause, No. 1870 Criminal, was begun, plaintiff and defendant represented by counsel; the Honorable Harry E. Pratt, District Judge, presiding.

The Court: Call the roll of the jury.

(Whereupon, the Clerk of the Court proceeded to call the roll of the jury.)

The Clerk: They are all present, your Honor.

The Court: How many?

The Clerk: Twenty-four.

The Court: Very well. Satisfactory to draw the jury from the twenty-four present?

Mr. Miller: The defendant agrees.

Mr. Yeager: Very agreeable.

(At this time, Mr. Yeager made a brief statement to the veniremen, and Mr. Yeager and Mr. Miller proceeded to impanel a jury.)

(A jury was duly impaneled and sworn to try the above-named cause.)

The Court: Proceed with your opening statements.

The Clerk: You want to excuse the rest of the jury, your Honor?

The Court: Oh, yes. The members of the jury not engaged in the trial of this cause will be excused until Friday morning at ten o'clock when we will start our last jury case. You are excused now until Friday at ten. [3*]

(Mr. Yeager presented his opening statement to the jury.)

(Mr. Miller presented an opening statement to the jury.)

The Court: Call your first witness.

Mr. Yeager: I would like to call Gene Morris.

***Page numbering appearing at top of page of original Reporter's Transcript of Record.**

GENE MORRIS

a witness called on behalf of the plaintiff, was duly sworn and testified as follows:

Direct Examination

By Mr. Yeager:

Q. Will you state your name to the Court and jury, please? A. Gene Morris.

Q. What is your occupation, Mr. Morris?

A. I am with the Territorial Police.

Q. How long have you been with the Territorial Police? A. A little over four years.

Q. Where do you reside?

A. At Big Delta Junction.

Q. And how long have you resided at Big Delta Junction?

A. About two years and eleven months.

Q. Did you perform the duties of your occupation while you resided there? A. I did.

Q. Where is Big Delta located, Mr. Morris? [4]

A. Big Delta is on the Richardson Highway at the junction of the Alcan and the Fourth Division of Alaska.

Q. And how far is that from Fairbanks, Alaska?

A. Approximately ninety-seven miles south of Fairbanks, southeast.

Q. Now, were you on duty March 28, 1954?

A. That's right. I was.

Q. Do you know the defendant, Mark Myers?

A. I do.

Q. How long have you known Mr. Myers, Mr. Morris?

(Testimony of Gene Morris.)

A. I can't recall just exactly, but approximately a month previous to this case I met Mr. Myers.

Q. Did you see the defendant on March 28, 1954?

A. I did.

Q. Where did you see the defendant, Mr. Morris?

A. At the Junction of the Alcan and Richardson.

Q. And what time was this?

A. Approximately two a.m. on the morning of the 28th of March.

Q. Who was present at that time, Mr. Morris?

A. Well, that time of the morning it was pretty dark and it was hard to see everyone that was around, but Sergeant Althouse of the Military Police at Big Delta and myself went down to the scene of the accident. We arrived and I, the first thing that came to my attention was a person lying in the road. I got out and checked this person and it was my opinion at that time that the woman was dead. [5]

Q. Who else was there?

A. While I was kneeling there then I observed through the flashlight Mr. Myers.

Mr. Miller: Just a moment, if the Court please. I am going to object to the answer as not being in direct response to the question.

Mr. Yeager: I believe it is, your Honor. I asked him who was present at that time and Mr. Morris has told me. He got a little off the track, but I called him back.

The Court: Very well. Objection overruled.

(Testimony of Gene Morris.)

Q. (By Mr. Yeager): Will you continue, please, Mr. Morris?

A. With a flashlight I observed Mr. Myers kneeling by me and by the body. There was two or three other people in there that drove up at that time standing by at a distance watching.

Q. Now, Mr. Morris, was there a vehicle present there at the Junction?

A. That's right. There was.

Q. What kind of vehicle was that?

A. It was a pick-up truck. I would have to check my records on the make. It has been quite awhile ago, a pick-up truck belonging to Mark Myers.

Q. Had you known previous to this that the truck did belong to the defendant, Mark Myers?

A. I had encountered Mr. Myers some three days previously. [6]

Q. And he was driving that truck at that time?

A. He was.

Q. And now, I wonder if you will state whether or not you had a conversation with the defendant, Mr. Myers?

A. I did.

Q. Where did this conversation take place?

A. Part of it took place at the Junction at this time of the morning, and then Mr. Myers and I went to the Patrol Office right after the ambulance arrived and removed the body.

Q. Had any, at any of these conversations will you state whether or not the defendant admitted that he drove or operated that vehicle?

(Testimony of Gene Morris.)

A. That's right. He admitted that he had operated the vehicle.

Q. Where did he make this admission, Mr. Morris?

A. He made the admission to me at the Junction, at the Patrol Office and also later at the PM Office.

Q. And who was present when he made these admissions to you?

A. Well, at the Junction it was just he and I, and at the office once again just he and I. At the Provost Marshal's office Sergeant Althouse of the Military Police was present.

Q. Did you make any threats or intimidations to the defendant Mr. Myers? A. No, sir.

Q. Did you offer him any hope or inducement for such statements? [7] A. No, sir.

Q. Did you use any other improper influence to obtain these statements? A. I did not.

Q. How close were you to the defendant at these various times, Mr. Morris?

A. At the Junction why we were both kneeling side by side and approximately ten, twelve inches.

Q. And what, if anything unusual, did you notice about his physical condition at that time?

A. It was pretty hard to tell right at that time anyone's physical condition due to the time of the morning and how dark it was. However, I could detect that the man had been drinking by his breath.

Q. Did you have opportunity later to observe his activities? A. I did.

Q. And where did this take place, Mr. Morris?

(Testimony of Gene Morris.)

A. At the Patrol Office where Mr. Myers and I went to after the ambulance arrived; as I said before the first time I had a chance to examine this man and look at it. I had seen Mr. Myers when he is absolutely sober, semi-drunk and intoxicated. I would say at this time he was highly intoxicated.

Q. What would you place that on, other than the smell of alcohol, Mr. Morris?

A. By his actions while talking to him. He had a [8] tendency to stoop forward. His balance, although not extremely bad, was impaired.

Q. I believe you mentioned something about the Big Delta Base, did you proceed there?

A. I received a call while questioning Mr. Myers at the office to try to find out what had happened to bring Mr. Myers to the Dispensary to identify the body.

Q. And at that time you again had a conversation with him?

A. We went to the Dispensary and Mr. Myers identified the body as Patricia Bowers who he was staying with, living together two miles north of the Junction, and after, oh, some thirty, forty minutes elapsed at the dispensary at which time Mr. Myers went to sleep and was observed by several ones in this condition and we proceeded on down to the PM Office.

Q. And there did you have a conversation with the defendant? A. I did.

Q. Did you advise him of his rights under the Fifth Amendment? A. That's right.

(Testimony of Gene Morris.)

Q. Now, will you state whether or not Mr. Myers made any admissions to you as to the amount he had drunk that evening?

A. He did. He told me they had started drinking around seven o'clock in the evening at Hunter's Lodge; that he himself had between ten and twelve beers and at midnight they had left Hunter's Lodge and went to the Trio Club at which time he had [9] three more beers.

Q. Now, who was present at that time?

A. Sergeant Flanagan, Sergeant Althouse.

Mr. Yeager: Your Honor, may I inspect the file? May we have this marked for identification, Mr. Clerk?

The Clerk: Government's Identification No. 1.

(A photograph of the defendant was marked Government's Identification No. 1.)

Q. (By Mr. Yeager): I hand you here, Mr. Morris, Government's Identification 1; will you identify that, please?

A. This is a picture of Mr. Myers taken at the military police office, the Big Delta Base.

Q. Were you present when that photo was taken, Mr. Morris? A. I was, sir.

Q. Do you know of your own knowledge who took that photo? A. That's right, I do.

Q. Who took that photograph?

A. Corporal English, Base Photographer.

Q. Now, is that, can you state whether or not

(Testimony of Gene Morris.)

that was a true and accurate picture of the defendant at that time?

A. That was one of the positions in which Mr. Myers relaxed and went to sleep in, yes.

Q. What was the condition of the defendant as shown by that picture? [10]

A. Well, at this time I would have to check my records to find out just exactly how much later, but as I said before, Mr. Myers seemed to go to sleep immediately when left alone for just a very short time, and in fact, faced with the fact that a friend of his had just been killed, why it seemed a little bit odd that he would want to go to sleep.

Q. Did Mr. Myers seem tired?

A. Well, I presume he was tired, yes.

Q. Was it a sleep based as if a person would be tired?

A. The only way I could answer that, I based it due to the fact that the man was intoxicated.

Mr. Miller: If the Court please, I am going to object to that as it calls for an opinion and he has not been qualified as an expert to make such an opinion.

The Court: Objection overruled.

Q. (By Mr. Yeager): Answer the question, please.

A. In my opinion the man was intoxicated and that was the reason he would go to sleep. I couldn't base it in any other way.

Q. You had time to observe him over a length of time; is that correct? A. That's right, I did.

(Testimony of Gene Morris.)

Q. And about how long do you think you observed the defendant, Mr. Morris? Approximate time is sufficient.

A. Well, all night long, from the time I arrived at the [11] scene of the accident until I took Mr Myers to town. That morning I brought him back to Fairbanks.

Mr. Yeager: You may take the witness, Mr. Miller. I wonder if we may have a recess, your Honor.

The Court: Yes, we will take a ten-minute recess.

The Clerk: Court is recessed for ten minutes.

(Thereupon, at 11:00 a.m., the Court took a recess until 11:10 a.m., at which time it reconvened and the trial of this cause was resumed.)

The Court: Counsel stipulate all members of the jury are present?

Mr. Miller: Defendant will, your Honor.

Mr. Yeager: The government so stipulates, your Honor

The Court: Very well.

GENE MORRIS

the witness on the stand at the time the recess was taken, resumed the stand for

Cross-Examination

By Mr. Miller:

Q. Mr. Morris, you say you have been on the Highway Patrol; would you take the microphone, please, sir. You say you have been on the Highway Patrol for four years?

A. Right, sir, a little over four years.

Q. What time of the morning was it that this accident occurred? [12]

A. The accident took place approximately 1:10 a.m. I arrived there around 1:20.

Q. One-twenty, and were there others on the scene at the time you arrived?

A. As far as I recall there was one or two people standing at a distance, at least the headlights went by and I noticed other people there.

Q. Now, you say you questioned the defendant at that time? A. That's right, partially.

Q. At the scene?

A. That's right. Part of the questions there. Three different times I talked to Mr. Myers.

Q. And after the accident occurred, wherein Mrs. Patricia Bowers was injured and later died, would you tell the Court what Mr. Myers did in notifying you of the death?

A. Well, I was out at the base working on another case and I received a call from my wife by

(Testimony of Gene Morris.)

radio or by telephone that a man had came to the front door and reported that a woman had jumped from the car at the Junction and seemed to be in serious condition and I proceeded from the PM office immediately with Sergeant Althouse to the scene of the accident.

Q. And was Mr. Myers with the deceased at the time?

A. That's right. He was kneeling in the road with her, or standing about.

Q. And was he crying? [13]

A. I couldn't see his face. It was so dark and I didn't observe who it was until I turned the flashlight up in his face.

Q. Then you at that time you say you took him to the, or at the time the ambulance took the body away then you took the defendant to your office?

A. We went over to the office, that's right.

Q. And you questioned him again there?

A. I started to.

Q. And how long were you there?

A. Not more than ten or fifteen minutes.

Q. And you were interrupted in that questioning period?

A. That's right, sir.

Q. And what was that interruption?

A. A call from the Dispensary to bring Mr. Myers to the Dispensary to identify the body.

Q. And did you take Mr. Myers to the Dispensary?

A. That's right, sir.

Q. And the body was there?

A. That's right.

(Testimony of Gene Morris.)

Q. And the doctor had pronounced the person to be dead? A. Dead on arrival.

Q. What doctor was that; do you recall?

A. Doctor Johnson.

Q. And Doctor Johnson was there?

A. Right. [14]

Q. Did you have the defendant there at the time?

A. Right, I took the defendant to the Dispensary.

Q. And you, were you there? Doctor Johnson was there and the defendant was there all at the same time? A. Right.

Q. Did you ever at any time request the Doctor to take a blood test from Mark Myers to determine his alcoholic content? A. I did not.

Q. That never entered your mind at the time?

A. No, sir.

Q. But you come in here now with your opinion that he was drunk?

A. That's right, he was drunk.

Q. In your opinion? A. That's right, sir.

Q. And now I will ask you is that opinion of yours based on fact or is it based on smell?

A. The opinion, Mr. Miller, is based, when I have seen the man absolutely sober. I have seen him semi-drunk and then I have seen him intoxicated. I knew Mr. Myers, like I say, I had had previous time I talked to him.

Q. And each one of these conditions is an opinion in itself, is it not? A. That's right.

(Testimony of Gene Morris.)

Q. Then you don't absolutely as far as testifying on a fact, you can't testify to the positive fact that he is sober, semi-drunk and drunk as you have testified, can you? [15] A. I think I can.

Q. From opinion only?

A. From my observations, actions, looks, balance and numerous other things.

Q. In your four years have you ever had a blood alcohol content made to determine the drunkenness of a man? A. I have.

Q. Have you done that often?

A. Frequently.

Q. Then you know that is done and that is the proper way to prove a man's alcohol content?

A. If the man does not object to it, and most generally cases like that, a man is intoxicated to the extent I don't think that it is necessary to take one and besides, I am at an Army base where they frown upon an Army Doctor taking a test from a civilian.

Q. Did you ask this man if he would take a blood test? A. I did not.

Q. Did you question him in any way about a blood test?

A. You see, for a time; for a time—— (Interrupted.)

Q. Would you just answer that question yes or no; did you give it any consideration?

A. I thought about it, yes, but I didn't ask for one.

(Testimony of Gene Morris.)

Q. Then it did enter your mind at the time to have a blood test taken?

A. Very lightly. [16]

Q. But it did enter it, did pass through your mind, the blood test theory did pass through your mind?

A. If I had had a different doctor there no doubt we would have tried to take a blood test.

Q. Now, I will ask you, at the time that you viewed the body for the first time, was the body covered? A. The body had a blanket over it.

Q. It wasn't a coat or anything like that, it was a regular bed blanket that was over the body?

A. That's right.

Q. The defendant did come to your dwelling to contact you to come and give him what aid you could in the situation, did he not?

A. That is what he told me, yes.

Q. Did your wife tell you the same thing?

A. She wasn't positive as to identification.

Q. But someone did notify you?

A. Someone did, and she presumed and so did I that he was the man that came over.

Q. Did he later tell you that it was him?

A. That's right.

Q. Where was his car parked?

A. His car was parked headed north just before you come to the stop sign on the Richardson Highway right at the Junction.

Q. And were the headlights on?

A. The headlights were on. [17]

(Testimony of Gene Morris.)

Q. And were they focused on anything?

A. They was focused on the body.

Q. In other words, the car was setting behind the body so that the lights were shining on it?

A. That's right.

Q. The car had to be backed up to be put in that position; is that correct?

A. That's right. It had to be backed up.

Q. And that is, that would have been what the ordinary, prudent, reasonable man would have done to protect the body from being hit by oncoming traffic; is that correct?

A. It could have been, that's right.

Q. Now, you say that you had a conversation at the Junction with Mark Myers?

A. I did.

Q. And how long did that conversation last?

A. I was thinking mostly of the body. I say the body, I couldn't be positive that this woman was dead. However, I could not feel any pulse and the ambulance had been called and I was mostly concerned at that time with seeing that she was taken care of and taken to the base.

Q. And this was approximately 1:20 you say?

A. One-twenty is when I arrived there.

Q. And what time did you turn the defendant loose?

A. Several hours later.

Q. Approximately what time? [18]

A. I would have to check my records to be sure of that.

Q. Several hours, you say?

A. That's right.

(Testimony of Gene Morris.)

Q. Early in the a.m. then?

A. That's right, sir.

Q. Was it daylight yet? A. That's right.

Q. It was daylight?

A. It was when I brought him in here, yes.

Q. Did you bring the defendant directly to the jail? A. Right, sir.

Q. After the accident then he was brought directly to Fairbanks and placed in the custody of the Bureau of Prisons? A. Right.

Q. And what was he charged with then?

A. Well, at that time I wasn't sure whether he had been charged with manslaughter or whether it would be drunk driving.

Q. And when did you determine?

A. After the coroner's inquest.

Q. Were you present at the coroner's inquest?

A. I was.

Q. Did you hear their verdict? A. I did.

Q. What was their verdict?

Mr. Yeager: I object to that, your Honor. That is irrelevant. [19]

The Court: Objection sustained.

Q. (By Mr. Miller): You then placed a charge of drunken driving on the defendant after the coroner's jury? A. I did, sir.

Q. And it was based on your opinion at the time?

A. It was based on the fact, like I say, whether it would be manslaughter or whether it would be drunk driving. I didn't know when until that time.

(Testimony of Gene Morris.)

Through his own admission of driving the automobile there was no one else present after Mrs. Bowers died, the fact of observing the man right after the accident is the reason I based my opinion on drunk driving.

Q. Now, you say there was no one else present?

A. At the actual time of the accident, I don't think there was anyone present other than just the two of them.

Q. That is opinion, too?

A. No, that is through Mr. Myers' statement.

Q. But you don't know that to be, you weren't present there to find out?

A. Not unless Mr. Myers (Interrupted)——

Q. Yet you say that there was no one else there at the time, so it is opinion and hearsay from Mr. Myers strictly?

A. It would have to be his opinion.

Q. There were other people there at the time that you arrived though?

A. Right. [20]

Q. You say that at the time you arrived you couldn't be sure whether Mr. Myers was suffering from shock or not?

A. I didn't say **that though**.

Q. Well, you said you couldn't tell whether he was crying at the time; is that correct?

A. I could merely hear some sounds at my right side kneeling down with me to the body.

Q. Did they sound like sobbing or weeping?

A. It was a mixture, yes. It could have been both.

(Testimony of Gene Morris.)

Q. Then it could have been that he was in a state of shock; is that correct?

A. I doubt it very much. After I had a chance to look at him under lights.

Q. And after you looked at him under lights, did he ever sob or weep?

A. That I can't be positive. He may have sobbed or wept a little bit. After I got him to the patrol office he didn't.

Q. Did he show any signs of being tired?

A. That is pretty hard to say. It could be, yes.

Q. But he, you are not sure whether he was under a state of shock or not at the time?

A. Right at the first, the time I turned the flashlight in his face I couldn't be sure because of previous things that happened I am not allowed to bring up in court.

Q. What about the, after you took him to the office, what about the shock there? [21]

A. The shock to my opinion, if any shock was due to the man's drinking because I couldn't see a man going to sleep in a little while after someone that he was living with and thought a lot of, which no doubt Mr. Myers did, to just drop off into a sleep. He didn't only do it once, but several times.

Q. And by this sleep, he was snoring?

A. He, I wasn't real close to him at that time. He could have been snoring.

Q. Could have been, but you didn't hear him snoring?

A. I don't think so.

(Testimony of Gene Morris.)

Q. You saw him with his eyes closed?

A. I know he was asleep.

Q. How do you know that?

A. His name was mentioned.

Q. And that is how you know he was asleep, that is the way you can be positive and definite that the man was asleep?

A. Well, if your name was called and you don't respond to it where it is audible and you should hear it, I would say the man was asleep.

Q. How long had he been undergoing questioning at this time? A. Very little.

Q. And where was this?

A. This was at the Base Dispensary.

Q. He had been questioned at the Junction, at the Patrol Office and now he was being questioned again at the (Interrupted)—— [22]

A. No, he was just merely sitting, standing by till we could find out how she died. We could see no visible marks on her body at that time.

Q. Did you question him at all at the Dispensary? A. I did not.

Q. Did anyone?

A. He was placed under military guard and the Military Policeman, Sergeant Flanagan, sat a few feet from him.

Q. You didn't question him at the Dispensary?

A. No, due to the fact that he made the statement to me that in one of his drunken rages he might kill her. May I continue, sir.

(Testimony of Gene Morris.)

Q. Did you question him any place on the base at any time?

A. I did later on at the MP office.

Q. That was later? A. That's right.

Q. And who was present then?

A. Sergeant Althouse and Sergeant Flanagan.

Q. And that is when he admitted to driving the automobile?

A. He admitted to me at the Junction, at the office, at the MP office, driving his automobile.

Q. But he admitted it in front of Sergeant Althouse and Sergeant Flanagan? A. Yes. [23]

Q. The alcoholic content in his blood, could you state to the jury what that is?

A. We didn't take a test of his blood.

Q. And do you have any conclusive proof as to the amount of alcohol this man had consumed?

A. He told me he had between ten and twelve beers at the Hunter's Lodge and later on he had three more beers just before the accident.

Q. And when did he tell you this?

A. I can't be positive. I believe the first time he mentioned that could have been at the Junction, or at the Patrol Office. I don't remember.

Q. It was one of those two times?

A. One of the three times.

Q. One of three? A. One of the three.

Q. It could have been at the Junction, the Patrol Office or at the (Interrupted)——

A. It could have been at all three.

Q. He told you he had how many?

(Testimony of Gene Morris.)

A. He had between ten or twelve beers at the Hunter's Lodge. They came up to the Club Trio then and he had three more beers.

Q. And over what period did he tell you he had consumed those beers?

A. He told me he and Mrs. Bowers started in at seven [24] o'clock and at midnight they moved up to the Trio Club and left the Trio Club within an hour.

Q. Did he say seven a.m., or p.m.?

A. It was p.m., in the evening after he got off work.

Q. Did he say seven p.m.?

A. He said after he got off work that day.

Q. And this was at twelve? A. Right.

Q. Over a period of seven hours he had drank ten or twelve beers?

A. Well, anywhere from thirteen to fifteen to be exact according to his statement.

Q. And did he tell you what he was doing while he was at the Hunter's Lodge?

A. When he first arrived he said he was assisting the man in putting in a generator. Let's see, I think he said he had helped somebody push a car to get started. He went over and paid his grocery bill and came back to Hunter's Lodge and at that time Mrs. Bowers arrived.

Q. And ten or twelve beers then over a period of eight hours and the smell of alcohol on his breath caused you to come to the conclusion that the man

(Testimony of Gene Morris.)

was drunk at the time of operating his motor vehicle?

A. I based my opinion, in my opinion, let's put it this way, I have never picked up a man for drunk driving unless he was drunk. [25]

Q. In your opinion? A. That's right, sir.

Q. And have you, in your opinion then this man was drunk.

A. I say the man was highly intoxicated.

Q. And you did have opportunity to get medical aid in proving him definitely drunk?

A. As I said before, they frown upon that due to the fact it is an Army base. They do not like to be involved in civil cases.

Q. Did you see, I will ask you this question; did you see the defendant at any time operate his motor vehicle on a public highway in an abnormal manner? A. In an abnormal manner, no.

Q. Mr. Morris, you stated a few moments ago that the pick-up was backed up on the highway so that the headlights shined on the body, did you not?

A. That's right, sir.

Q. And the pick-up was setting out on the highway or off to the side?

A. It would be setting in its lane fully in its lane, headed north.

Q. And was it left there? A. It was not.

Q. And what became of the automobile?

A. Mr. Myers drove his car over to the Patrol Office [26] which would mean that he would drive

(Testimony of Gene Morris.)

directly across the road and down into the patrol yard.

Q. And he drove the automobile himself?

A. He did.

Q. And you followed him?

A. No, sir, I did not. I stood by the body.

Q. Did he drive down there at your instruction?

A. He did.

Q. You told him to take the automobile off the highway then and down to the Patrol Office?

A. I told him to take it off and down into the Patrol Office and stand by, that's right.

Q. Now, in your opinion, do you believe that the reasonable and prudent person would be emotionally upset under the same circumstances as this defendant?

A. Probably would.

Q. You are not sure?

A. Well, Mr. Miller, how can I be sure. Like I say, a man goes to sleep a few minutes later on.

Q. I say, a reasonable and prudent person?

A. Pretty sure, yes.

Q. Yes, he would be then?

A. Right.

Q. And would you yourself, if placed in a like condition, be emotionally upset?

A. I probably would, yes. [27]

Q. And I will ask you this, Mr. Morris, in a like condition would you have done anything different than Mr. Myers did?

A. Well, how can I answer that statement? I don't know.

Q. You don't know?

(Testimony of Gene Morris.)

A. You mean, I would have did exactly like he did in every manner, shape or form or what?

Q. Well, the acts, the procedure that he followed after the accident occurred?

A. After the accident occurred I don't think I would have went off and left her body lying in the middle of the road.

Q. What would you have done in a like circumstance?

A. That is again I couldn't answer and be positive.

Q. You have testified here that he was alone?

A. That's right.

Q. He has no telephone in his automobile, there is a woman lying there injured; you have shown yourself that he did put the headlights of the car on her body to protect her and then he came to your house to get you; would you have done any different than that?

A. I might not. Maybe I shouldn't make this statement, I don't know. It is my opinion once again, it was my opinion I told Mr. Myers and I told the coroner's jury that I figured the man backed up on her body. That is what killed her. That is my opinion.

Q. That is an opinion? [28]

A. That is an opinion.

Q. Did the coroner's jury believe that?

A. The coroner's jury brought in a verdict of not guilty.

Mr. Miller: I believe that is all.

(Testimony of Gene Morris.)

Redirect Examination

By Mr. Yeager:

Q. Mr. Morris, how far is your Patrol Office from the scene of the accident, Tok Junction I mean, not at Tok, I mean at Big Delta Junction?

A. The Patrol Office is within a hundred yards of the Junction and the entire side of the road is road commission property which you can drive off at any interval.

Q. Was there any military person, will you state whether or not there was any military person involved in this accident?

A. No military involved.

Q. Will you state whether or not it is the policy of the Army stationed at Big Delta to give blood tests where Army personnel are not involved?

A. They distinctly, they hate to do it. They have in one or two cases but complications have developed through this so at the present time I doubt very much if I asked they would.

Q. I believe Mr. Miller brought out on cross-examination that concerning the car, the truck being backed up, at that time did you have any evidence there that the truck had been backed up? [29]

A. Merely Mr. Myers' statement that he had backed the truck up. As I stated to Mr. Miller it was pitch black. A man that was in that condition, and at the inquest the two doctors stated that she fell after the, fell equivalent to ten stories striking

(Testimony of Gene Morris.)

an object to have pressed those ribs that caused her death.

Mr. Miller: Now just a moment. We are going to object to that, move that it be stricken on the grounds that it is immaterial to the issues here on trial that the doctors' statement there would be purely hearsay. The doctors' testimony could be brought in here if they wanted to testify to that, and we feel it is irrelevant to the issues in the case and should be stricken.

The Court: Well, state again exactly what you wish to strike.

Mr. Miller: We are objecting to it on the grounds that it is hearsay, if the Court please. The doctors' statements were made to Mr. Morris and not brought in. Their testimony, they should bring in the testimony themselves. Mr. Morris is not competent to testify to what the doctors have said here. It is hearsay evidence that he is presenting, everything.

The Court: All right. I will strike the matter as to what the two doctors say.

Q. (By Mr. Yeager): What was the condition of the highway at this time, Mr. Morris? [30]

A. The condition of the highway at that time, although snow at the edge of the roads, was dry.

Q. I believe it was brought out in recross-examination by Mr. Miller that you testified in the coroner's inquest; is that correct?

A. That's right. I did.

(Testimony of Gene Morris.)

Q. Will you state whether or not you made a disclosure of all the facts at that hearing?

A. All the facts, no. I didn't. There were some of them after it was over with I seen I didn't put in.

Mr. Yeager: You may take the witness.

Recross-Examination

By Mr. Miller:

Q. Mr. Morris, you testified that Mr. Myers drove the automobile, his pick-up truck, directly across the highway and down?

A. That's right, sir.

Q. Is your memory pretty sharp on the occasion? I mean, do you recall the occasion very well?

A. The occasion of what, his driving?

Q. Yes.

A. Mr. Myers wanted to set in the middle of the road and hold Mrs. Bowers' hand and like I said, I figured she was dead then. I wasn't positive but I figured she was. I took Mr. Myers over to his car and asked him to get in it and set down pending the arrival of the ambulance. [31]

Q. And you asked him to drive his automobile down to your place?

A. It would be just directly across the road and into the Patrol yard.

Q. Didn't he drive the truck about a quarter of a mile down to the Buffalo Lodge, turn in and turn back to your place? A. He did not.

(Testimony of Gene Morris.)

Q. Is the road going into your place directly across the road, directly across the Richardson Highway from the place of the accident?

A. It wouldn't be absolutely directly, but it would be that entire area in the Junction where his car was parked there. There is ample room to turn around in, if that is what you mean.

Q. Did he turn around right in the middle of the road?

A. I am not positive which way he went as to the way he turned around, whether he went to the right or the left, but he did move his car off and down into the side and into the Patrol yard.

Q. From the place that the accident occurred, was it toward the point the Alcan makes a, comes in straight, directly straight to the Richardson there; joins the Richardson at approximately right angles at one place and then it swerves, makes a swerve up to the Richardson in another?

A. That's correct.

Q. And the triangle in the center there, was it closer to the swerved part or closer to the angle where it came in at right angles with the Richardson that the accident occurred? [32]

A. It would be closer to the north end of the Junction. That would be where the, where it branches off headed toward the states on the Alcan and toward Anchorage on the Richardson.

Q. The first turn-off to the left then would be the turn-off going down to the Buffalo Lodge; is that correct?

A. The first turn-off?

(Testimony of Gene Morris.)

Q. Yes, the first turn-off to the left?

A. No, the first turn-off to the left would be right into the Alaska Road Commission yard.

Q. The Alaska Road Commission sets at the right directly across from where the Alcan joins the Richardson at right angles, does it not?

A. Right.

Q. And the road runs along in front of your office there?

A. My office is located directly on Road Commission property.

Q. And that is right straight directly in front of the Alcan Highway where it joins the Richardson at right angles?

A. Where my place sets? My place would set approximately from the scene of the accident a hundred yards. No, it would not be directly from the stop sign to the Junction.

Q. If the Alcan extended across the Richardson there your office would be setting right on the Alcan Highway, wouldn't it? A. No.

Q. If it extended across and continued [33] down?

A. You mean now headed south? After you come to the Alcan? You see when you come up to this fork like this, you take the right fork to Fairbanks, the left fork to Anchorage. Now, from this left fork stop sign, my Patrol Office sets directly behind two buildings right over to the side here.

Q. But right directly in the course of the Alcan

(Testimony of Gene Morris.)

Highway, if it continued across it would your place? A. Yes.

Q. And the road to the Patrol Office, it runs right in front of your dwelling, does it not?

A. Some yards out. It is back off the road, yes, sir.

Q. Do you remember, or do you recall how long or how much time intervened between the accident and the time that we had the trial of the case at Big Delta?

A. I would have to check my records. I couldn't be positive right today.

Q. You do remember the snow at Big Delta at the time of the trial?

A. I think most of the snow had left in that area at that time.

Q. At the time of the trial?

A. At the time of the trial.

Q. Do you, could you always get out any part of that driveway of the Highway Patrol Office, or did you use a secondary road that leads up to a point of the Buffalo Lodge driveway to get out? [34]

A. The Buffalo Lodge would be several hundred, at least two or three hundred yards above. I don't know where that would come in in relationship to actually his driving. He merely turned right there and went right across the road into the Patrol yard. There is three entrances. You can go directly in, or behind.

Q. But most of the winter the Highway Patrol

(Testimony of Gene Morris.)

driveway there was blocked off or the majority of it was blocked off with snow, was it not?

A. There was never a time during the entire winter that you couldn't come in and go out on any two of the three angles and the first one would be right directly in front and the closest one away. The far one out to the side sometimes was blocked. That was not used in this case.

Q. The road that was open going into the regular Highway Patrol, the regular Highway Patrol opening was the road coming out directly toward the Alcan; isn't that correct?

A. That's right.

Q. Then he would have had to have gone up to the second entrance of the Highway Patrol to have come in under your theory; isn't that correct?

A. By merely just turning your car around, driving right off the road into the yard. There is a building sets right there at a slight angle right into the yard, which he did.

Q. Aren't the two roads there, Buffalo Lodge and the [35] road that goes back into Mr. Stirewalt's place and the road that comes back to the Highway Patrol that you are referring to, all three join right there together?

A. From exactly where the body was laying, stop sign, Mr. Myers would have had to proceed north to have gone into this road like you mentioned. He would have to have gone some hundred seventy-five to two hundred fifty yards, which I am positive that I would not have allowed.

(Testimony of Gene Morris.)

Q. Didn't he use that road?

A. He did not use that road. He turned right around and right off the road in the Patrol yard.

Q. Then he would have had to have backed up further to have turned into the Highway Patrol road that was behind him, would he not?

A. Some, probably fifty feet. Not back of him. He turned around.

Q. Oh, he turned around right into the road?

A. That's right.

Q. And drove back fifty feet on the highway then? A. What now?

Q. Turned around in the middle of the road?

A. The highway come up the Richardson as I told you. The stop sign sets here. My patrol office sets here. He was parked right down here. I can't say whether he swung back this way and went off or made the loop but he proceeded from that spot right there going you might say just across the road and back on the side. [36]

Q. Did he have to back up any to get into that road?

A. You do not have to back up. You can turn right around there.

Q. I will ask you how far is it from the point where the Alcan joins the Richardson at right angles to the place where the Alcan joins the Richardson by the curve there coming to Fairbanks?

A. You mean the distance from the two points where the Alcan enters. I have never measured that, but it is a very short distance, probably some

(Testimony of Gene Morris.)

seventy-five feet take in. I might be a few feet off one way or the other.

Q. Your road that goes into the Highway Patrol Office is directly across. At this time the only opening was directly across from the Alcan where it enters the Richardson at right angles; is that true?

A. You could go there in there at that time any place you wanted to for twenty-five, thirty yards, that entire lot was open just as it is now.

Q. At the time of the accident you could do that?

A. That's right, sir. I come in and went out all directions every time I come out. That road was never blocked.

Q. Then the one lane coming out directly across from the Alcan was not the only lane out of there; there were others you could go in and out of there any place you pleased? A. That's right.

Q. And he used that lane to drive back into your office? [36-A]

A. He turned right around. If he had been setting there, if I had been setting there myself and wanted to go back, I would probably have made the swing back through the triangle.

Q. And when he turned around did he make a complete U turn and drive back down the road and in?

A. I can't be positive whether the man backed up and went off or whether he made a circle. I can't say about that. I was looking at the body or

(Testimony of Gene Morris.)

something. I do know I asked him to move his car over there. The traffic was very, very little that morning.

Q. You told him to drive his car to your house and then just ignored him from that time, I mean just forgot about him driving his car to your establishment; is that correct?

A. I asked him to move the car over there for two different reasons. One of them like I said, he made the statement to me, "Let me set and hold her hand."

Q. Did he move the patrol car?

A. No, he didn't touch the patrol car.

Q. He just moved his own car?

A. That's right.

Q. And you told him to move it, he moved it and you occupied yourself with the body?

A. That's right. I stood right by the body. In fact we had red lights out there, flashlights, awaiting the arrival of the ambulance. [37]

Q. Were any of those buildings around there lit up at the time; do you recall?

A. No, sir, there was no buildings lit up.

Q. And do you recall the approximate time that it turned daylight around March 28, I believe it was?

A. I don't recall until I could check my records because approximately at daylight I took the base photographer and we went out and took a picture from several different angles. That I would have to check my records and see.

(Testimony of Gene Morris.)

Q. And you turned, or you; now, Mr. Morris, isn't it a fact that Mark Myers went to the Buffalo Lodge and turned around?

A. Mr. Myers did not go to the Buffalo Lodge. There is absolutely no doubt whatsoever in my mind to that.

Q. You know that he turned right across in that snow to the driveway going into your place and at the time he turned there there was twenty-five or thirty yards in there that he could have turned in at any place and not become stuck. This is March 28?

A. You could come and go there all winter and never get stuck unless you went off into the ditch. This open space that I am speaking of, it would be on further than from this corner to that that you can go down off the road in there at any time during the night.

Q. And that open space that you are talking of is directly across from the Alcan Highway, is it not? I mean where the Alcan joins at right [38] angles?

A. Well, like you mentioned a few minutes ago, if the Alcan continued it would go probably right in my front door.

Q. And this road runs right in front of your house? A. That's right.

Mr. Miller: I believe that's all.

Mr. Yeager: I have a couple more questions, your Honor, but I think it is noon.

The Court: I think we will take the noon re-

(Testimony of Gene Morris.)

cess. In a moment, we will take a recess until two o'clock. In the meantime the jury should be careful not to talk about the case or the parties or to permit anyone to talk about them within your hearing. Keep your minds perfectly free from an opinion as to the guilt or innocence of this defendant until the case is finally submitted to you. Make the adjournment.

The Clerk: Court is recessed until two o'clock.

(Thereupon, at 12:00 noon a recess was taken until 2:00 p.m.)

Afternoon Session

(The trial of this cause was resumed at 2:00 p.m., pursuant to the noon recess.)

The Court: Counsel stipulate all the members of the jury are present?

Mr. Miller: Defendant will so stipulate, your Honor.

Mr. Yeager: Government so stipulates, your Honor.

The Court: Very well. Proceed. [39]

GENE MORRIS

the witness on the stand at the time of adjournment, resumed the stand for

Redirect Examination

By Mr. Yeager:

Q. Mr. Morris, are you familiar with the Richardson Highway? A. Yes, sir.

(Testimony of Gene Morris.)

Q. Will you state whether or not that is a public highway? A. It is, sir.

Mr. Yeager: I believe that is all. You may take the witness.

Mr. Miller: I believe that is all the questions I have of the witness.

(Witness excused.)

Mr. Yeager: Next witness the government would like to call, Sergeant Althouse.

CHARLES ALTHOUSE

a witness called on behalf of the plaintiff, was duly sworn and testified as follows:

Direct Examination

By Mr. Yeager:

Q. Will you state your name to the Court and jury, please.

A. Sergeant Charles Althouse. [40]

Q. What is your occupation, Mr. Althouse?

A. Military Police, Big Delta.

Q. And how long have you been in that occupation?

A. I have been in Military Police about seven years.

Q. And where are you stationed at the present time? A. Big Delta.

Q. Were you stationed at Big Delta, Alaska, on March 28, 1954? A. I was.

(Testimony of Charles Althouse.)

Q. Do you know the defendant, Mark Myers?

A. I do.

Q. Will you state whether or not you saw the defendant on March 28, 1954? A. I did.

Q. And where did you see the defendant, Sergeant?

A. I saw Mr. Myers at the Triangle Junction at Big Delta.

Q. What time was this?

A. It was approximately 1:30 in the morning.

Q. Who was present at that time, Sergeant?

A. Mr. Morris, the Highway Patrolman, and a Mr. Boot.

Q. Was there a vehicle present at that time?

A. There was.

Q. What type of vehicle was that?

A. It was a yellow Studebaker, pick-up truck.

Q. I wonder if you can state whether a conversation took place in your presence between Mr. Morris and the defendant, Mark Myers? [41]

A. There was a small one there.

Q. Was there any admissions made by the defendant at that time? A. Yes, there was.

Q. And what was that admission?

A. Mr. Morris asked Mr. Myers if he had been driving the vehicle and Mr. Myers said yes, he had been driving the vehicle.

Q. Did you see the defendant, Mr. Myers, later?

A. I did.

Q. And where was that?

(Testimony of Charles Althouse.)

A. I saw him at the Post Dispensary, Post Hospital and Provost Marshal's office.

Q. Who was present in the Provost Marshal's office?

A. Sergeant Flanagan and myself and Mr. Morris and Mr. Myers.

Q. Did a conversation take place at the Provost Marshal's office?

A. Mr. Morris interrogated Mr. Myers there.

Q. Were you present when that occurred?

A. Yes.

Q. Will you state whether or not Mr. Morris advised the defendant of his rights under the Fifth Amendment to the Constitution?

A. Yes he did.

Q. Did Mr. Morris use any threats or intimidations? [42]

A. No, he did not.

Q. Do you know, can you state whether or not the defendant made any admissions at that time that you were in the Provost Marshal's office?

A. Mr. Myers stated that, where he had been during the day and up to the accident.

Q. And where did he state that he was that evening at seven o'clock?

A. Mr. Myers stated that he had been at the Hunter's Lodge repairing or unloading a generator for the owners there or whoever worked there, and he also helped push a car to get it started.

Q. And did he make, can you state whether or not he made any statement as to where he went from the Hunter's Lodge?

(Testimony of Charles Althouse.)

A. From the Hunter's Lodge he then went to the Trio and then from the Trio he stated he went to the Triangle.

Q. Did the defendant Mark Myers, can you state whether or not he made any statements as to the amount he had to drink that evening?

A. Well, at the Provost Marshal's office Mr. Myers stated that he had approximately ten drinks, I believe, at the Hunter's Lodge and I believe three at the Trio and two more at the Triangle. At the Triangle he didn't know the amount there.

Q. Over what period of time did you have to observe the defendant Mark Myers, Mr. Althouse?

A. Oh, a little over two hours. [43]

Q. What, if anything, did you observe concerning his physical condition or activities at that time?

A. At the scene of the incident Mr. Myers didn't, wasn't too steady on his feet and his speech was slightly incoherent and that's about it, I think.

Q. Did you have a chance to observe his activities at the Provost Marshal's and the clinic on the base?

A. I did.

Q. What did you observe at that time, Sergeant?

A. The man, Mr. Myers that is, still seemed to be under the influence and also when woken up he would immediately drop back to sleep, fall back to sleep.

Q. I believe you stated that you had been in the military police for quite a considerable length of time: is that correct?

A. Seven years.

Q. And during this time have you had various

(Testimony of Charles Althouse.)

occasions to observe various persons under the influence? A. Many times.

Q. I wonder if you can state now whether or not the defendant Mark Myers was under the influence or was sober at the time?

Mr. Miller: Just a moment, if the Court please. We are going to object to this as calling for a conclusion of the witness.

Mr. Yeager: Your Honor, I believe it is calling for a (Interrupted)—— [44]

The Court: Objection overruled.

Q. (By Mr. Yeager): Answer the question, please, Mr. Althouse?

A. In my opinion Mr. Myers was drunk.

Q. Mr. Althouse, I hand you Government's Identification No. 1. I will ask you if you will identify that, please?

A. That is Mr. Myers sleeping in the Provost Marshal's office at Big Delta.

Q. Were you present when that photo was taken, Sergeant? A. Yes.

Q. Do you know of your own knowledge who took that photo? A. Yes, I do.

Q. Who took that photo?

A. Corporal English from Post Photographer, Big Delta.

Q. And does that photo express a true picture of Mr. Myers at that time? A. It does.

Q. Sergeant, had you seen the defendant in a previous condition such as that?

(Testimony of Charles Althouse.)

A. I can't rightly say. I wouldn't know for sure. You mean previous to this incident?

Q. No, previous to, shortly before or after this picture was taken?

A. Oh, yes, I did then, yes. I thought you meant some other incident or something like that.

Q. Can you state whether or not the defendant was in a sound sleep or what was his appearance to you at that time? [45]

A. Several times I helped Mr. Morris attempt to wake the man up and it took quite a while to wake the man up.

Q. Now, are you familiar with the Big Delta Junction, Mr. Althouse? A. I am.

Q. Are you familiar with where Mr. Morris lives? A. Yes.

Q. What is the approximate distance between Mr. Morris' home and the Junction?

A. I would say between seventy-five yards and maybe a hundred twenty-five yards, something like that.

Q. It is very close to the Junction?

A. Pretty close.

Q. Who was present when this picture was taken, Sergeant?

A. Sergeant Flanagan, Mr. Morris, myself, and then there was a couple of men that were on the regular post patrol. I don't remember their names.

Mr. Yeager: You may take the witness, Mr. Miller.

(Testimony of Charles Althouse.)

Cross-Examination

By Mr. Miller:

Q. You say that you have been with the military police for a period of seven years?

A. Seven years.

Q. And where was that, most of that service?

A. Almost two years of it up here and on the east coast—the greatest part of it on the east [46] coast.

Q. And what portion of it was used in traffic duty? Traffic violations inspections?

A. Practically all my work has been.

Q. On government reservations?

A. On and off.

Q. Or on public highways?

A. On and off the reservations.

Q. Majority of it off the reservation or on?

A. I would say the biggest part of it has been off the reservation.

Q. Did Mr. Myers' statement as to the amount of drinking that he had had influence your opinion as to his being drunk or not drunk?

A. No, you could tell by looking at the man, the way he handled himself that that hadn't even entered my mind what he had said.

Q. What about him caused you to reach that decision?

A. Well, I had an opportunity to be close to the man at the intersection where the incident occurred

(Testimony of Charles Althouse.)

and I also had the opportunity to smell his breath.

Q. You smelled his breath? A. Yes, I did.

Q. Did you smell alcohol on it?

A. As I remember now, I did.

Q. How many drinks had he had by the odor of his breath? A. What was that again? [47]

Q. How many drinks had he had by the smell of his breath?

A. I wouldn't say by the smell of his breath. I would say that he had been drinking quite a bit.

Q. You couldn't tell then by the smell of his breath how many drinks he had had?

A. Not the amount.

Q. And what time before, I will withdraw that question. Did he ever state to you the approximate time that he had left the Triangle Lodge?

A. As I remember it, Mr. Myers stated that he at one time thought that he left the Triangle just before the incident occurred.

Q. That he thought he left? A. Right.

Q. And he did tell you that he left the Triangle?

A. He thought he did.

Q. Were you with Mr. Morris at that time?

A. In the Provost Marshal's office, yes.

Q. But were you with Mr. Morris at the time of inspecting the body? A. I was there also.

Q. And did you see Mr. Myers at that time?

A. I did.

Q. And this is the, you did have a chance to observe him there?

A. Yes, I did talk to the man, too. [48]

(Testimony of Charles Althouse.)

Q. And did you smell alcohol on his breath there? A. I did.

Q. And did he seem to be in a state of shock at that time?

A. I would say that Mr. Myers did not appear to be in shock at that time.

Q. Were you there the whole time that Mr. Morris was there?

A. I was there up until the car was moved, or rather the truck was moved.

Q. And who moved the truck?

A. I left then. I don't know who moved it.

Q. The truck was still there then when you left?

A. I left to go back to the office because there was something came up on the post.

Q. You wasn't there then when the truck was moved? A. No, I wasn't.

Q. Did you see Mr. Myers with Patricia Bowers or the body of Patricia Bowers?

A. Yes, I did.

Q. And what was he doing at that time?

A. When we first arrived he was standing or kneeling next to Mrs. Bowers.

Q. What was he doing there, kneeling doing what?

A. I can't remember rightly because at that particular time I had some men out directing the intersection there with [49] there were some cars coming. I can't remember because they come up and asked me a question and what he was doing actually I couldn't swear.

(Testimony of Charles Althouse.)

Q. Were you close to him at that time?

A. I was. I would say within ten or fifteen feet.

Q. Was he sobbing or weeping?

A. I couldn't hear if he had been.

Q. What was the lighting conditions at that particular time?

A. When I arrived at the intersection with Mr. Morris the lights of Mr. Myers truck were on Mrs. Bowers, and the light from a civilian automobile owned by Mr. Boot who works in Big Delta had his lights also on there.

Q. The truck was behind the body then, with the lights focused over the body; is that correct?

A. Right.

Q. And did you ever see Mark Myers operating his vehicle? A. I never did.

Q. Do you know whether he operated his vehicle in an abnormal manner?

A. I had never, I don't know. I never did see the man drive.

Q. You are basing your testimony purely on the opinion then of the smelling of his breath that he was drunk at the time? [50]

A. I am basing my opinion on the whole time that I saw Mr. Myers. That is at the Provost Marshal's office, the Post Dispensary and at the scene.

Q. In your opinion then he was drunk, but he was not under a state of shock? A. Right.

Q. And in your opinion, do you believe that a reasonably prudent man would be under a state of shock under similar circumstances?

(Testimony of Charles Althouse.)

A. Well, I wouldn't say. Everyone in the world doesn't act the same so I wouldn't be able to say.

Q. You wouldn't be able to say whether in your opinion a reasonable and prudent man would or not?

A. I wouldn't be able to say for sure.

Q. That is a person of average temperament; have you had opportunity to observe other trucks similar to the one that Mr. Myers was driving?

Q. Would you rephrase that; you mean in other incidents?

Q. Other Studebaker pick-ups like this, have you had opportunity to observe them other than this truck?

A. You mean at any time?

Q. Yes, any time, any place?

A. Oh, I would say I had.

Q. What size pick-up was that?

A. Mr. Myers'?

Q. Yes. [51]

A. Oh, it was about a half-ton, I guess. Right around there.

Q. Is it longer than the average pick-up?

A. I wouldn't say that it was longer than the average pick-up. I would say that it would be about average.

Q. It is very similar then to the half-ton, average half-ton pick-up?

A. I would say it would be pretty close.

Q. This truck doesn't have any longer wheel base than a (Interrupted)——

A. I never noticed that too close.

(Testimony of Charles Althouse.)

Q. You say you have been at Big Delta Air Base for approximately two years?

A. Just a little less than two years.

Q. And that you have spent most of that time on the public highways assisting in traffic violations?

A. My job is the military police investigator and I handle all incidents that come up at Big Delta.

Q. You have had many opportunities then to observe the Triangle there where the Alcan joins the Richardson?

A. Yes, I have.

Q. And what is the approximate distance between the two legs of the Alcan Highway where they join the Richardson?

A. You mean at the, the road there that comes between that little cut-off?

Q. The two legs of the highway that form the triangle there, what is the distance between the two slabs of the Alcan [52] Highway where it joins the Richardson Highway? In other words, the two legs, one comes in at right angles to the highway or curves off and joins the highway toward Fairbanks. What is the approximate distance between those two legs of the Alcan?

A. I would say right at the point where the roads come together or the highways come together, I would say it may be around forty, forty-five feet wide where they come together.

Q. You mean the width of the highway?

A. Right. Is that what you wanted?

(Testimony of Charles Althouse.)

Q. No, I meant the distance the fork in the Alcan Highway where it joins onto the Richardson one going to Anchorage on the Richardson, the other turning so that you come to Fairbanks. You know the two legs, the triangle there of the Alcan Highway there?

A. Well, that particular place there I would say roughly may be seventy-five feet.

Q. Between the two legs? A. Right.

Q. Now, where the Alcan joins the Richardson at right angles, that is right there next to the Triangle Lodge?

A. That is not quite a right angle, I don't believe.

Q. Well, approximately a right angle where it joins there, in relation to that, where is the Highway Patrolman's office?

A. I would say that would be right around, approximately a hundred and a little over a hundred yards. It could be twenty-five feet one way or the other. [53]

Q. Right straight from it?

A. If you were to walk it, you would have to go around a building, one building, I believe. You would have to cut off on an angle once you come to the building.

Q. Now, I will call your attention to March the 28th, the day of this accident, and had the snow begun to melt in Big Delta at that time?

A. As I remember there was very little snow. The snow that was around there had started to melt

(Testimony of Charles Althouse.)

at one time and then the colder temperature had kind of made it crystalize.

Q. And how wide is that driveway going into the Highway Patrolman's office?

A. The main road I would say to be safe, I would say sixty feet anyway.

Q. Sixty feet? A. Could be more.

Q. Approximately twenty yards?

A. Be around there. Maybe it could be wider, which I think it is.

Q. Is there a building sets directly across from the Highway Patrolman's office?

A. There is quite a few buildings.

Q. And there is a lane going down through there? A. There is.

Q. And how wide is that lane, would you say?

A. That particular lane there I would say it would be right around the same. [54]

Q. Right around the same. Then from the highway back to the Highway Patrol's office the road extends, it is just about the same width all the way back through there?

A. Pretty close. That's a, if you (Interrupted)——

Q. Is that the only entrance to the Highway Patrolman's office?

A. As I remember that is the two entrances or exits as I use them that I can remember. I believe there might be a smaller one down; whether there is or not, I couldn't swear to it.

(Testimony of Charles Althouse.)

Q. Is there an exit by the Buffalo Lodge entrance? A. Not that I can remember.

Q. Is there a road that runs in front of it, that new two-story log structure that extends over to the Highway Patrolman's office?

A. There might be one now. I don't remember one being there at that time.

Q. You don't remember that road at all then?

A. I don't remember that.

Q. Now, I believe you stated before that the defendant stated that he had gone to the Trio Club?

A. Yes, he did.

Q. And where had he been prior to that?

A. Hunter's Lodge.

Q. And did he tell you how long he had been there?

A. As I remember it, he stated, let's see. I can't remember now. It's been so long ago, the exact time. [55]

Q. Did he tell you how long he had been at the Trio?

A. As I remember, he said he had been at the Trio a short time.

Q. And did he tell you how long he had been at the Triangle?

A. I can't remember whether, as I remember it, he said he wasn't sure how many drinks he had at the Triangle. Other than that, that is the only thing I can remember at the Triangle that he had anything to do at the Triangle.

(Testimony of Charles Althouse.)

Q. You say the defendant did not talk coherently at the time?

A. To my estimation, in my opinion he didn't talk coherently.

Q. Have you ever talked to the defendant before?

A. I talked to him after the incident.

Q. And does he talk coherently?

A. His talk was quite different than the night that I talked to him.

Q. Could it be that instead of drink it was shock that caused his difference in speech?

A. In my opinion, I don't believe that the man was in shock.

Q. You don't believe he was in any shock whatsoever?

A. Not at that time when I saw him.

Q. And you saw him at what time?

A. I first saw him at approximately 1:30 in the morning. [56]

Q. And he was not in a state of shock at that time in your opinion?

A. No, and then I saw him and that was until about 4:30, a quarter till five I saw him.

Q. Did you see him kneeling over the deceased?

A. I did. I don't know whether he was kneeling or standing.

Q. Did you hear him say anything about staying with her after the, a little later when Gene Morris wanted to move him away from the body?

A. I don't remember. I don't remember that.

Q. You just can't remember that at all?

(Testimony of Charles Althouse.)

A. No, I can't. At that particular time I had two men on the intersection, also had to call the ambulance and make sure the ambulance was coming, so I had a little bit to take care of, too.

Q. The ambulance arrived and took her body away before you left?

A. No, just as I was leaving. Well, when they put her in the ambulance then I left at the same time.

Q. And the truck was still there?

A. Right.

Q. And then you don't recall Gene Morris telling the defendant to get in his car and not to set there in the road and hold her hand?

A. No, I don't remember that. [57]

Q. You don't remember that. Before the automobile was moved then the ambulance had taken the body, before the pick-up truck was moved the ambulance had removed the body?

A. As I remember it, yes.

Mr. Taylor: I wonder if we could admonish the witness to speak up a little louder, please, so we can hear.

The Court: If you please, Mr. Althouse.

Q. (By Mr. Miller): You are sure that that is the situation now. You are absolutely positive and definitely remember that the automobile was still setting there, or the pick-up truck was still setting there at the time the ambulance took the body away?

(Testimony of Charles Althouse.)

opinion in this matter is based on the odor of his breath and the conclusion that you reached by watching him. Is that the only basis for your opinion? A. That would have to be it.

Q. And you never at any time saw him operate his automobile on a public highway in an abnormal manner? A. I never did, myself, no.

Q. Now, in your seven years' experience with traffic violations, you have had several instances or several occasions wherein you have examined people for drunkenness, have you? [60]

A. I never have examined them, no.

Q. Is there a difference between the odor of whiskey and beer on a person's breath?

A. The only thing that I can say is that you can tell the difference from water and alcoholic beverages.

Q. Well, now, from smelling the defendant's breath, could you tell us whether he had been drinking whiskey or beer?

A. If, in my opinion I would say that the man had been drinking both.

Q. And that would be a different odor than the other two, would it not?

A. It might be slightly.

Q. And from that odor did you, you determined that he was drinking both?

A. I would say that he had been drinking both.

Q. Then, your conclusion here is not based on what he told you; it is based on the smelling of his breath, too?

(Testimony of Charles Althouse.)

A. In addition to the way he was talking and handling himself and his speech.

Q. Did he ever at any time tell you that he had had anything to drink other than beer?

A. At one time in the Provost Marshal's office he stated, he started to state, then he changed his mind. He said whiskey and then he said, no, it was beer.

Q. Now, you stated that you didn't believe the man to be under a state of shock, but do you believe him to be under any emotional stress? [61]

A. I would say after he was woke up and was being prepared to go to the Highway Patrol headquarters here in Alaska, then the liquor that he had been drinking more or less wore off and he kind of visualized then what had happened. He knew then, you could tell the change in his appearance and the way he handled himself. I believe then that he could have possibly been going into shock then.

Q. Do you take it that the average man would have been under the same emotional stress as Mr. Myers at that particular time?

A. The same emotional stress?

Q. Yes, the same type of emotional stress.

A. I would say if the man had been drinking that it would have probably, it could have ended up the same way and then after he collected himself after awhile he would have felt the same way.

Q. You did not see the defendant kneeling then and holding the deceased's hand on the highway?

A. No. When I first came up to the—the intersec-

(Testimony of Charles Althouse.)

tion I don't remember whether he was standing or kneeling.

Q. Now, would you explain to the court and jury just how you can make that fine distinction between the odor of beer and whiskey, or beer and whiskey and a combination of both?

A. Well, I have been out myself. I have done quite a bit of drinking and I believe on that, and talking with other people that I have been out with and coming upon other people [62] that do quite a bit of drinking while on duty, I believe I can tell pretty close.

Q. And from a distance of about ten feet you could observe that was Mark Myers?

A. I didn't say that I was ten feet away from him. I said at one particular time I was very close to the man.

Q. And how close was that?

A. Well, when Mr. Morris was writing down notes I held the flashlight and Mr. Myers was in front of us.

Q. Then you were close enough to hear any sobbing or weeping that might have been going on?

A. Not, there was none when I talked to Mr. Morris. Now after the traffic was being taken care of by the two patrolmen, that is when I came back with Mr. Morris.

Q. Now, how many occasions have you had to observe people under a like circumstance as Mr. Myers was in at this particular time?

A. Well, I would say without a doubt that maybe

(Testimony of Charles Althouse.)

not all coming with someone's death, but I would say two fifty, maybe three hundred times.

Q. And all told you have had occasion to within this period of seven years to observe at least four hundred people in a state of shock?

A. No, I said that is what I mean, approximately two, maybe two fifty to three hundred in a period of seven years. [63]

Q. And all of those have been in similar circumstances where a person had been killed?

A. No, I didn't say that they had all been killed, but there has been pretty bad accidents where the people didn't know, don't know whether the people would live or not and some of the accidents I would say there was five, six, seven people in the car, maybe more in some of them.

Q. Well, now, take this particular circumstance here where a woman was killed and the man was with her, beside her and you saw the emotional stress that he was going under, how many times have you observed a like circumstance in your experience?

A. Well, I have seen shock. I saw shock overseas in the war I saw it.

Q. I mean a like circumstance right here now, like this man. Just how many times?

A. Repeat that question again, please.

Q. In a like circumstance of the case right here before the court where a woman was killed due to an accident. The man was there. He was watching her. How many occasions have you had to observe

(Testimony of Charles Althouse.)

a person in a like circumstance and the emotional stress that they were going through under those conditions?

A. Where the person was killed?

Q. Yes, such as we have here?

A. I would say I have seen at least fifty, I would say an average of about fifty where the person was killed right there. [64]

Q. And in a period of seven years as a patrolman on the highway you have seen two hundred fifty and three hundred cases of shock?

A. Shock, yes.

Q. And you have seen at least similar to fifty cases like this case here?

A. Where people have been killed, yes.

Q. Within seven years? A. Yes.

Q. And your opinion on what he had been drinking then is based on the occasions that you have been out and (Interrupted)——

A. No, the opinion as to what now?

Q. The opinion as to the fine distinction between the smell of beer and whiskey on a man's breath or the smell of beer and whiskey together in comparison to beer or whiskey. You have based that opinion or the distinction on your previous occasions of having been out and done the same thing, did you say? A. Right.

Q. Have you ever seen a person hysterical after an automobile accident where someone near to him has been killed? A. Yes, I have.

(Testimony of Charles Althouse.)

Q. And in all of those occasions did they pace the floor and turn white?

A. As I said before, the biggest part of them did. They ran around screaming and yelling and you didn't know what they [65] were going to do. You had to control them. Sometimes you had to put them in straight-jackets to hold them there until the ambulance got there.

Q. Now, in every one of these occasions, these instances, did the people react the same?

A. I wouldn't say they all reacted the same.

Q. Did they all pace the floor, each and every one of them?

A. I would say that unless they had been, if they hadn't been drinking too heavily they were pretty well upset.

Q. Then the fact that he wasn't upset you are of the opinion is the basis for your opinion of drunkenness?

A. No, that is part of it along with, the way I heard him talk and the way that he was standing and carrying himself.

Q. You, without exception now, you have never seen a person in a state of shock act as Mr. Myers?

A. No, that is the first I ever saw it.

Q. Do you believe that a person could, under a state of shock, react differently than just pacing the floor and turning white?

A. I would say that from, I would say that the man just wouldn't be like that if he had been his own self. If he hadn't been drinking as much, I

(Testimony of Charles Althouse.)

would think that the man would have acted quite a bit differently than what he did.

Q. You would say then that the only way that a person under shock would act, would be to pace the floor and turn white? [66]

A. I don't believe I said it like that. That was one of, some of the circumstances, some of the ways that people do, plus they start screaming and yelling and start running around.

Q. But you did state in all of your cases that is the way they acted?

A. I will say that they started pacing around, the greatest majority of them turned white. They started doing things. They wanted to run away.

Q. Were there any of them that didn't turn white though and pace the floor?

A. In shock?

Q. Yes, or in this emotional stress, while under emotional stress under like circumstances?

A. As I remember, just about every one whether they cut their finger or not, a lot of them will come into shock, they will turn white, and a lot of times they will pass out. Anything can happen in shock. I wouldn't say what would happen actually, but normally, from what I have seen, a person goes pretty well out of their head. Don't know what to do with themselves.

Mr. Miller: That's all.

(Testimony of Charles Althouse.)

Redirect Examination

By Mr. Yeager:

Q. Mr. Althouse, I believe you stated on cross-examination, that you were directing traffic when the ambulance arrived; is that correct? [67]

A. I was helping the patrol that was at the intersection, that came up to the intersection when we came up, I believe, and the ambulance hadn't arrived yet, so I sent one of the patrol over to the ACS station there, to call and make sure the ambulance was coming; and I took one side of the intersection and the other MP took the other one.

Q. After that you returned back to (Interrupted)—— A. To help Mr. Morris.

Q. And then soon thereafter you returned to Big Delta Army Base; is that correct? A. Right.

Mr. Yeager: That's all.

Mr. Miller: That's all.

(Witness excused.)

Mr. Yeager: The government calls their next witness, Mr. English.

EDWIN ENGLISH

a witness called on behalf of the plaintiff, was duly sworn and testified as follows:

Direct Examination

By Mr. Yeager:

Q. Will you state your full name to the court and jury, please?

A. Corporal Edwin English.

Q. What is your occupation?

A. Post Photographer. [68]

Q. Where are you stationed?

A. Big Delta, Alaska.

Q. Were you stationed at Big Delta, Alaska, on March 28, 1954? A. Yes, I was.

Q. Do you know the defendant, Mark Myers?

A. No, just from seeing him the night of the 28th.

Q. Where did you see the defendant on March the 28th?

A. At the hospital, Post Hospital when I arrived to take the pictures of the victim.

Q. I believe you stated that you were a photographer; is that correct? A. Yes, sir.

Q. What previous training have you had in that line?

A. Four years in civilian, and I went to a couple of schools in civilian life and Ft. Monmouth, New Jersey, Army Photography School

Q. During the course of, tour of the Army, you have taken many photographs; is that correct?

(Testimony of Edwin English.)

A. Yes, for the, aerial pictures all the way through.

Q. You are familiar with the equipment that you use? A. Oh, yeah.

Q. Will you state whether or not you took a picture of the defendant on the night of March 28?

A. Yes, I did.

Q. How long previous to taking this picture, had you had a chance to observe the defendant, Mr. English? [69]

A. About fifteen minutes at the Post Dispensary, and then we went down to the PM office and I was ready to take that. About forty to fifty minutes at the Post Dispensary before I took that picture, and I took that picture down at the PM office.

Q. I hand you, Mr. English, Government's Identification No. 1; will you identify that, please?

A. This is the picture I took of Mark Myers about 3:30 on the morning of the 28th.

Q. Did you use a flash camera for that picture?

A. Yes, a 4x5 graphic.

Q. And is that photo a true representation of Mr. Myers, as you pictured him?

A. Exactly.

Q. What, if anything, unusual did you note about his physical condition at that time?

A. Sleepiness and unstable.

Q. Did you have a chance to observe his activities in the clinic?

A. He was sleeping then. I was ready to take a picture and Mr. Myers thought I had already taken

(Testimony of Edwin English.)

it and woke him up, so I didn't think I could get another picture like that, and he went down to the PM office and got in the same position right away.

Q. How close were you to the defendant?

A. This was taken about ten or twelve feet, this picture. [70]

Q. Were you closer than that at any other time?

A. No, just when he passed by.

Q. What, if anything, unusual did you notice about his physical condition?

Mr. Miller: Just a moment, your Honor. We are going to object to that as too general a question. I think he is making it a little too broad. It would be incompetent, irrelevant and immaterial as to the physical condition. A general physical condition would not be competent or relevant.

The Court: Objection sustained.

Q. (By Mr. Yeager): What, if anything, did you notice about the condition of Mr. Myers eyes?

A. Eyes, he very seldom raised his head, slanted all the time.

Q. Will you state whether or not you smelled any alcohol on Mr. Myer's breath?

A. No, I didn't.

Mr. Miller: Just a moment, your Honor, we are going to object to a leading question. I don't know, I didn't hear the answer to it. I am going to ask that it be stricken anyway regardless of what it is.

Q. (By Mr. Yeager): Answer the question, please.

A. No, I didn't smell liquor. I didn't have to.

(Testimony of Edwin English.)

Q. What opinion did you draw as to his condition, the condition of the defendant? [71]

Mr. Taylor: Just a moment, your Honor. We are going to object to any opinion, just what he observed. I think it is up to the jury to say from what he observed, what their idea is.

The Court: Objection sustained.

Q. (By Mr. Yeager): What did you observe about the defendant's ability to walk, Mr. English?

A. Wasn't very stable, very slow, and (Interrupted)——

Q. How long a period of time did you have a chance to observe him in this condition?

A. All the time when I came back taking pictures, about an hour and fifteen minutes all together.

Q. Will you state whether or not in your opinion the defendant Mark Myers was sober or under the influence at that time?

A. Under the influence.

Mr. Taylor: We object, your Honor. It calls for an opinion without proper foundation.

Mr. Yeager: I believe the opinion is justified, your Honor. He said he observed the activities of the defendant for an hour and fifteen minutes.

The Court: Objection overruled.

Mr. English: When I first knew that this was the driver, we all sort of giggled. That is when I decided to take the picture to see a man in this condition that was the driver of the car. [72]

(Testimony of Edwin English.)

Mr. Yeager: You may take the witness, Mr. Miller.

Mr. Stevens: Just a moment, your Honor. I am going to object. This is Mr. Taylor's witness. He has been making the objections.

The Court: That is correct.

Mr. Taylor: Is the court upholding the objection of Mr. Stevens?

The Court: Yes, to the other counsel in examining this witness. Only one counsel can examine and you have been doing it up to this time.

Mr. Taylor: I am not examining him, your Honor. I was only making objections.

The Court: All right, objections that you have been making. I sustain the District Attorney's objection.

Cross-Examination

By Mr. Taylor:

Q. What is your name?

A. Corporal Edwin English.

Q. How old are you? A. Twenty-two.

Q. What outfit? A. Signal Corps.

Q. How long you been in there?

A. Almost two years, sir. I will be getting out next month.

Q. You were in the picture business four years before getting in the Army? [73]

A. Yes, sir.

Q. You have been in the commercial picture business since you were sixteen?

(Testimony of Edwin English.)

A. Before that, sir.

Q. Where did you have your photography?

A. In Rhode Island.

Q. Did you own your own business?

A. No, sir, I did candid weddings on Sunday and commercial during the week.

Q. How could a man be unstable and setting down?

A. He was walking, too, sir. I saw him both times.

Q. You said sleepiness and unstable, can he be sleepy and unstable at the same time?

A. Sleepy while he was sleeping and while he was walking, he was unstable.

Q. You have got that picture, have you, can you say positive that Mark Myers was asleep when that picture was taken?

A. Positive, sir.

Q. Can you see his eyes?

A. No, sir. I was there though.

Q. How do you know; you had to wake him up?

A. Because I was there, sir.

Q. Could he have sat there meditating or thinking about this accident?

A. No, sir.

Q. Why couldn't he? [74]

A. Because they woke him up, sir.

Q. If a man had his eyes closed you would have to call his attention anyway, wouldn't you?

A. Had to wake him up.

Q. What condition was he in?

A. Seemed like he just didn't care, very sleepy and tired.

(Testimony of Edwin English.)

Q. Just had been in an accident in which a lady friend of his had been killed?

A. Yes, sir. That it why we laughed when we first saw it.

Q. Had he been under emotional stress?

A. No, sir.

Q. Could he have been under shock?

A. No, sir.

Q. Do you know what shock is?

A. Yes, sir, very emotional and what Sergeant Althouse said, they pace the floor.

Q. I am asking how you arrive at when a man is in shock, what causes it?

A. Well, feelings, sir, what not.

Q. You think that Mr. Myers didn't have any feelings then about this accident?

A. That is my opinion so far, sir.

Q. What? A. So far, sir.

Q. That is just an opinion? [75]

A. Yes, sir.

Q. But you didn't smell any liquor on him?

A. No, sir, I didn't have to, sir.

Q. Is your sense of smell impaired to some extent? A. I didn't smell it at all, sir.

Q. You can't smell anything?

A. I wasn't that close. He just walked by me, sir.

Q. Oh, you can smell though?

A. I can, sir. That isn't my hobby.

Q. But you didn't catch this smell?

A. No, sir.

(Testimony of Edwin English.)

Q. How big a room was you in?

A. In this one, sir? I wasn't even in the room, sir. I was outside and took it through the door.

Q. Under what authority did you take that picture?
A. Captain Carroll.

Q. Who is Captain Carroll?

A. Signal Office at Big Delta, and MP office. He has rotated.

Q. And you say then they gave you authority to take pictures of a civilian?

A. No, sir, Mr. Morris requested we do that.

Q. You mean you took a picture of Mr. Myers without his permission?
A. No, sir.

Q. You as an Army man? [76]

A. He requested, sir, and the MP's woke me up. That is my job. They woke me up and I went out and took the pictures.

Q. And you took an official picture for the, at the Army's request of a civilian; is that right?

A. Yes, sir. It is an isolated spot and they help us out.

Q. Regardless of whether the man is a civilian or not; is that right?
A. Yes, sir.

Q. Now, did you see any Doctors around there?

A. Yes, sir.

Q. Did you see them take any blood tests of Mr. Myers, to establish the fact whether or not he was drunk?
A. Not while I was there.

Q. You was there one hour and fifteen minutes?

A. I was in the Dispensary. Mr. Myers was asleep. The doctor was with the woman, sir. I took

(Testimony of Edwin English.)

the pictures of the victim and then I went out and saw Mr. Myers asleep and they said he was the driver, and we all laughed.

Q. What time did you take that picture, in the morning? A. Approximately three-thirty.

Q. You got a notation on the back of it when you took it? A. Early morning, March 28.

Q. Now, you think it was three-thirty?

A. I know it was three-thirty. I got to the Provost Marshal's at three o'clock and then I went up to the hospital, took the pictures of the woman and then this one. [77]

Q. Did you make the writing on the back of it?

A. Yes, sir.

Q. Why didn't you put the hour on the date?

A. I didn't think it was important.

Q. Isn't it a fact that this picture was taken about four-thirty or five o'clock in the morning?

A. No, sir, five o'clock I was finished with the job, after going out to the scene of the accident, taking several pictures and I went back to bed.

Q. Five o'clock? A. Yes, sir.

Q. Might have been four-thirty then?

A. Oh, no.

Q. How big a room was it Mr. Myers was in, when you took that picture?

A. The room wasn't very big at all. That is why I had to be outside to take it.

Q. What kind of heat was in it?

A. Steam heat, I guess. It is the hangar, sir.

Q. How was Mr. Myers dressed?

(Testimony of Edwin English.)

A. This way, sir.

Q. Winter clothing? A. Well jacket, sir.

Q. Was it pretty hot in there; what kind of shoes he got? A. Bunny boots. [78]

Q. Those are felt, are they? A. Yes, sir.

Q. And do you know how long he had been there when that picture was taken?

A. Right away, soon as he sat down he went off, because I was right there at the hospital and they woke him up.

Q. Was he there when you came in?

A. Yes, sir, I went down with them.

Q. From where? A. The hospital.

Q. What was he doing at the hospital?

A. He was under custody, identify the body.

Q. Whose custody? A. Mr. Morris.

Q. Are you sure he was under custody?

A. I guess so.

Q. You say Mr. Morris arrested him?

A. Why not?

Q. Why?

A. He was at the scene of the accident. He wasn't in the best shape. Naturally, arrest him. I would.

Q. Did you know Mr. Morris let him drive his car right after this accident?

A. Mr. Morris didn't know he was drunk right away.

Q. So he found out. Now, who did he talk to to find out whether he was drunk? [79]

A. No, sir.

(Testimony of Edwin English.)

Q. Carroll?

A. Noticed him right after, sir.

Q. Captain Johnson?

A. Lieutenant Johnson, sir.

Q. Do you know Lieutenant Johnson, doctor out there? A. Yes.

Q. So you then arrived at the conclusion that Mr. Myers was under arrest at the time he came to the Dispensary?

A. Yes, sir. Questioning anyway.

Q. Without him being under arrest?

A. Well, I would arrest him.

Q. What?

A. I would arrest him, the way he was there.

Q. You would; do you have the authority to arrest anybody? A. If I was, I say.

Q. You don't have that authority right now, do you? A. No, sir.

Q. You would arrest a person then because he showed signs of being sleepy; is that right?

A. After an accident, yes.

Q. Were you present when the men at the Dispensary asked Mr. Myers to come down and identify the body? A. No.

Q. You didn't know then the only reason he came over there was to identify the body? [80]

A. Well, he had to be with Mr. Morris. Mr. Morris was there, so he had to be with him.

Q. You didn't know then, though, it was several days after that before there was a charge of reckless

(Testimony of Edwin English.)

driving, or driving while drunk, placed against Mr. Myers?

Mr. Yeager: I object to that question, your Honor. It is immaterial and irrelevant, what this witness knew about the charges.

The Court: Objection sustained.

Mr. Taylor: If the court please, I would like to call the court's attention, this man is testifying he was under arrest.

Mr. Stevens: The witness stated he was in custody, sir.

Mr. Taylor: That's all anyway, your Honor.

Redirect Examination

By Mr. Yeager:

Q. Mr. English——

Mr. Yeager: Your Honor, at this time I would like to offer into evidence Government's Identification No. 1, potograph taken by this witness, Mr. English.

Mr. Taylor: To which the defendant objects, your Honor, as incompetent, irrelevant and immaterial; taken without the permission of the defendant; taken three hours and a half or four hours and a half after the accident and would have no bearing, your Honor, to prove or disprove the charge that this man was driving a car while [81] drunk.

The Court: Objection overruled.

(Testimony of Edwin English.)

The Clerk: Government's Exhibit "A."

(Government's Identification No. 1 was received in evidence as Government's Exhibit "A.")

Mr. Yeager: Your Honor, I wonder if at this time we could take a recess.

The Court: Yes, we will take a ten-minute recess.

The Clerk: Court is recessed for ten minutes.

(Thereupon, at 3:10 p.m., the court took a recess until 3:20 p.m., at which time it reconvened and the trial of this cause was resumed.)

The Court: Counsel stipulate all members of the jury are present?

Mr. Taylor: Yes, your Honor.

Mr. Yeager: Government so stipulates, your Honor.

EDWIN ENGLISH

the witness under examination at the time the recess was taken resumed the stand.

Mr. Yeager: You may take the witness.

Mr. Taylor: No further questions.

(Witness excused.)

Mr. Yeager: The government rests, your Honor.

Mr. Miller: If the court please, at this time the defendant would like to make a motion out of the hearing of the jury. [82]

The Court: The jury will retire to the jury room until notified to return.

(Thereupon, the jury withdrew, and the following proceedings were had out of the presence and hearing of the jury.)

Mr. Miller: If the court please, Mr. Yeager, at this time the defense would like to make a motion for a verdict of acquittal based on the fact that the defendant, or the plaintiff has totally failed to sustain the burden of proving that the defendant did operate his motor vehicle on the highway in a manner that could be shown to be influenced by alcohol.

Each and every witness, as they have been put on the stand, has been asked if they saw the defendant driving his automobile and each of them have testified that they have not; that he did not operate his motor vehicle on a public highway while under the influence.

Now, it is the charge here, based purely on conjecture of the various witnesses as they come in.

They have in their own opinion testified that they believed the man to be drunk and not in a state of shock. They have shown that the defendant had taken a drink previously in the day, but they have not shown to the extent conclusively how many drinks he has had or the effect of those drinks on his person.

We have a situation here of the defendant being, or having a few moments prior to his arrest been, having been charged with, well, the lady, his girlfriend was killed. It has [83] been shown by the evidence, by Mr. Morris, that the man wanted to

stay there and hold her hand. He definitely showed signs of being under a severe shock. He was acting in a manner that was not absolutely normal at the time, but was normal under the circumstances. The defendant has come in here on a charge of operating a motor vehicle while under the influence of alcoholic beverages. He has not at any time been shown to have operated his motor vehicle while under the influence. They have said the car was setting there, but they have not shown that he did operate the car in any manner. They have not definitely shown the man to be drunk. They have shown by opinion evidence that this man had had a drink or two and that his breath did smell of alcohol, but they have not shown the influence that that influenced his reflections or his ability to drive in any way.

They have testified that he did act abnormal, and that is understandable under the situation since he was under a severe state of mental depression or shock. Now, if those be the case, then the facts as set out by the government does not conclusively show the defendant to be guilty of any violation of the highway laws. The only time that it is definitely shown that the defendant did operate his car after the arrest, or while under the observation of these people, was when Mr. Morris ordered him to take his automobile and drive it to Mr. Morris' office. He did drive the automobile to Mr. Morris' office at Mr. Morris' instructions, at his orders. [84]

Now, under circumstances such as those we feel the plaintiff, the government, has wholly failed in

producing any evidence that shows beyond a reasonable doubt, that this man is guilty of operating a motor vehicle while under the influence of alcohol.

The Court: The motion is denied. Call the jury.

(Thereupon, the jury re-entered the courtroom.)

The Court: Counsel stipulate all members of the jury are present?

Mr. Yeager: The government so stipulates, your Honor.

Mr. Taylor: So stipulate.

The Court: Very well. Proceed.

Mr. Taylor: Call Mr. Myers.

MARK MYERS

the defendant, called as a witness in his own behalf, was duly sworn, and testified as follows:

Direct Examination

By Mr. Miller:

Q. Would you state your name to the court and jury, please? A. Mark Myers.

Q. And what do you do, Mr. Myers?

A. I am a plumber.

Q. And where do you live? A. Big Delta.

Q. Mr. Myers, I call your attention to the hour of [85] approximately one o'clock on the 28th of March, 1954, did you have an accident occur at that time? A. Yes.

Q. And in that accident was one Pat Bowers killed? A. Yes.

(Testimony of Mark Myers.)

Q. And did you notify the highway patrol of that accident? A. Yes.

Q. Now, would you explain to the court and jury just exactly what did you do at that time?

A. Just after the accident or including the accident?

Q. Just after the accident?

A. Well, I brought my pick-up to a stop and jumped out and ran back and Pat's body was laying there, and I didn't think she was hurt too bad, so I picked her up. Well, her body was limp so I couldn't carry her. Then I laid her down and in my Army experience we had instructions to, on shock treatment to keep the person warm and to loosen their clothes, so I ran to the pick-up and got this Army blanket that I had on the seat and covered her with it. Then I looked up and down the highway, but there wasn't a car in sight. I waited about a minute maybe, so then I got in the pick-up, backed around her and pulled it up to where the lights shown on her body. Then I immediately ran over to Gene Morris' home and office. It was quite a run. It is not any hundred yeards. It is quite a little bit more because I was quite winded when I got there, and [86] his wife came to the door and I asked her to call an ambulance, there was a person badly hurt and I don't, I think I asked her where Gene was, to get him here. I'm not sure. Then I ran back to the pick-up and stood by Pat until help arrived.

Q. And who was the first to arrive at the scene of the accident? A. Gene Morris.

Q. Did you discuss the matter with Gene Morris?

(Testimony of Mark Myers.)

A. I discussed the matter in a rather hysterical way. My concern for her health outweighed any other idea that I had in my mind.

Q. And did Gene question you while she was still lying there on the highway?

A. Well, he didn't question me in a formal manner. He sympathized and kept his attentions on her mostly. He felt her pulse and felt her cheek to see if the, and it was getting cold and said the usual things, words of condolence and things like that.

The Court: Keep your voice up. Speak a little louder, please.

Q. (By Mr. Miller): Did you drive your car away from the scene of the accident?

A. Yes, I did.

Q. And at whose instructions, by whose instructions did you do that? [87]

A. Gene Morris'.

Q. Did you drive the automobile?

Mr. Taylor: Just a moment. We can't hear the answer to those questions. What was the last answer?

Mr. Myers: Gene Morris instructed me to drive my pick-up from the scene to his home and office.

Q. (By Mr. Miller): And by what route did you go to his home and office, Mr. Myers?

A. I went to the driveway to the Buffalo Lodge, turned around and drove directly to Gene Morris' house.

Q. Did you drive down the highway to his house at the time?

A. Yes.

Q. Drove back by the scene of the accident then?

A. Yes.

(Testimony of Mark Myers.)

Q. Did you drive in the road right directly across from the Alcan Highway, where the Alcan joins the Richardson right there at right angles?

A. I drove in the usual driveway which even now is vague in my memory. I go by it every day. There are several road commission buildings there and Gene Morris' car is stored in one of those buildings as a garage, and his home is located to the rear of those buildings.

Q. Is the road then his home situated on?

A. His road as I remember it, had it in my mind, never [88] even gave it a thought. The driveway to his home is not the one generally used by the Road Commission, although they probably do to a certain extent.

Q. Did you use the one that the Road Commission ordinarily uses?

A. I used the one that he ordinarily uses, and the one the Road Commission uses to a certain extent.

Q. That is toward Fairbanks from the scene of the accident?

A. No, south from the scene of the accident.

Q. Then you drove back by the scene of the accident and into this driveway? A. Yes.

Q. And that was all done at the instructions of Gene Morris? A. Yes.

Q. Now, was this act done prior to the moving of the body; did he order you to move your vehicle before the body was moved by the ambulance?

A. Yes, the body was gone. I am almost a hun-

(Testimony of Mark Myers.)

dred per cent sure. In fact I know it is. In fact I am one hundred per cent sure. I know I didn't back that pick-up up. The clutch was out of adjustment and it was very hard to shift.

Q. What size truck is that?

A. Three-quarter ton Studebaker.

Q. Does it have a longer wheel base than the half-ton pick-up? [89]

A. I can't swear to that, but I know the box, the body is a little longer. It is eight feet, three inches.

Q. Could that pick-up be turned around on the Richardson Highway at the scene of the accident?

A. Not on the highway alone.

Q. You would have to go to some drive, in order to turn around?

A. Yes, I could have turned at the Triangle itself, but I didn't.

Q. You didn't turn there? A. No.

Q. You went to the Buffalo Lodge and turned back? A. Yes.

Q. Now, there has been some discussion here of conversations between you and the Highway Patrol on various occasions; were you questioned by the Highway Patrol during the evening about the accident? A. Yes.

Q. And how many times? A. Three times.

Q. And would you explain to the court and jury just where these conversations were held?

A. Well, the first was held at Gene's home and

(Testimony of Mark Myers.)

office in part. Then we moved to the hospital and I answered more questions there and then I went to the, they took me to the MP headquarters there back in the hangar. [90]

Q. Now, while you were there, while you were at the base, MP hangar there, were there any pictures taken of you? A. Yes, there was.

Q. And did you consent to those pictures being taken? A. No, I didn't.

Q. And did you know that they were being taken?

A. I knew that there was action going on around me, and I was vaguely aware that they were taking pictures.

Q. Did you care that they were taking the picture?

A. I didn't. At that time I didn't care much about anything. I was and still do feel bad.

Q. And I will ask you, had you been drinking during the day? A. Not during the day.

Q. Had you been drinking during the evening then?

A. Well, this man that I helped owns a bar and once in awhile he would bring out a beer while we were working, but he didn't cut into his profits an awful lot by handing out a lot of it.

Q. How long were you there?

A. Well, I picked up a generator on the job. We got through work at four-thirty. It took us about a half an hour to get it loaded, so then I stopped a

(Testimony of Mark Myers.)

the laundry, picked up the laundry and went on to this establishment, Hunter's Lodge.

Q. The Hunter's Lodge?

A. Then we prepared a place and put the generator and [91] unloaded it with quite a bit of advice with one person and another. We horsed around there I imagine about an hour getting the thing off and hooked up. We hooked up off and on and tried to make it work right all evening.

Q. Did you finally get it hooked up properly?

A. Yes, this was a temporary measure anyway, and it wasn't the usual type used at a house, but we finally got it to working and we would have to go back and readjust the thing, step up the voltage, one thing and another.

Q. And was Patricia Bowers with you during all of this period?

A. She arrived about seven o'clock in the evening.

Q. And what time did you arrive there, did you say?

A. I imagine about five-thirty, thereabouts.

Q. And when did you finish working on the generator?

A. Well, we never actually finished on the thing. We would have it going good and then the pump would cut in and it would falter and go to stop, and we would have to make some more adjustments, so we were working on the thing all evening.

Q. Were you working on it up until the time you left there?

(Testimony of Mark Myers.)

A. With a few interruptions. This Sergeant in the Army couldn't get his car started, so I helped him. I went over his car and I couldn't see what was wrong, so I finally gave him a push and after awhile I went to the store, paid my weekly bill, went [92] back.

Q. And what time was this?

A. This was about nine or nine-thirty.

Q. And what time did you leave this establishment?

A. Well, it was close to midnight or maybe after.

Q. And from there where did you go?

A. To the Club Trio.

Q. To the Club Trio, and how long were you there?

A. Well, it couldn't have been over an hour. It probably was under an hour.

Q. Do you remember approximately what time you left there?

A. One o'clock, just about.

Q. Just about one o'clock, and what time did this accident occur?

A. To the best of my knowledge and memory, it was one-ten.

Q. Did you have any drinks at the Hunter's Lodge immediately prior to leaving that place of business?

A. Well, I had one setting in front of me, but I left it setting there. I might have had a couple of drinks out of it. I was in no mood to drink. I

(Testimony of Mark Myers.)

was tired, had worked all day and in the evening, and I wanted to go home.

Q. And then you went to the Trio?

A. Yes.

Q. And at whose insistence was that?

A. Pat wanted to stop at the Trio. We know the people there, one girl that stays there. [93]

Q. And was that where you had originally started? A. No.

Q. And at the Club Trio, did you have a drink?

A. I had one beer, a social beer.

Q. And did you have that just before you left or upon arrival?

A. I ordered this beer upon arrival and it sat there in front of me all the time we were there. We were talking with various people.

Q. Did you ever finish the beer?

A. I might have. I don't know. I didn't pay much attention.

Q. Did you have more than one beer at the Trio?

A. Definitely not. I wouldn't walk into a place in town without spending a little money. There was no one else there.

Q. Now, I will ask you in your conversations with Mr. Gene Morris, did you at any time ever tell him that you had had ten or twelve beers?

A. Possibly. I wouldn't call anyone a liar, but I was overwrought at the time.

Q. Would that ten or twelve beers have been over the whole period of time from the time you got off work, until the time of the accident?

(Testimony of Mark Myers.)

A. Yes, definitely.

Q. And did you have anything besides beer to drink? A. No, definitely not. [94]

Q. And had Pat been drinking, Patricia Bowers? A. Yes, she had.

Q. And had she been drinking considerably?

A. Yes, she was drinking a drink that was strange to her, and I think it had a bad effect on her, more than usual.

Q. Did Gene Morris or any of the Army men advise you that any questions that you answered could be used against you?

A. Yes, I was advised.

Q. He did? A. So advised.

Q. And do you recall, I will withdraw that question. Mr. Myers, did you ever go in the Triangle Lodge that evening? A. No, I did not.

Q. And did you ever at any time tell any of these witnesses who have testified prior to this, that you were in the Triangle?

A. I told no one that I was in the Triangle, for the simple reason that I wasn't, and I think Gene Morris will bear me out in the fact that I wasn't. I think he investigated that thoroughly.

Q. And did you not have any drinks then at the Triangle? A. No.

Q. Mr. Myers, how long had you known Patricia Bowers? A. Approximately two years.

Q. Approximately two years; had you folks become quite intimate during that period of time? [95]

(Testimony of Mark Myers.)

A. Yes.

Q. And was it a shock to you to find her injured on the road?

A. Well, it was a shock, certainly was. It was a shock to ever since, but a person has. It goes against nature to see anyone do a thing like that, to be in that condition. Any thinking persons knows that it is practically the end of the world, when anything happens to somebody like that.

Q. Have you and Pat made business plans as a partnership? A. Yes.

Q. And one or more? A. Beg pardon.

Q. One or more business plan?

A. Well, we hadn't had any concrete business plans. We had two fine manufacturing sights filed jointly which were under protest. We weren't at all sure of getting them. I had the homestead and my home. There was nothing very big under way. No money tied up. I am just a working man. She was not working so we had very little capital going.

Q. Are you employed at the present?

A. Yes.

Q. And had you two built or repaired a cabin in Big Delta?

A. I built or repaired a cabin and built a wing on it at Big Delta and also built a house on a homestead.

Q. And this was a joint venture between you and Pat? [96]

A. No, the wing wasn't a joint venture. We both

(Testimony of Mark Myers.)

used it and lived in it, but it strictly wasn't a joint venture.

Q. Now, I will ask you were you ever asleep during the evening while, during any time between the time of the accident and the time that you went to or started to Fairbanks? A. No.

Q. You was not asleep; did you know what was going on and enter into conversations off and on with your questioners all during the night and evening?

A. Well, when they give me a formal questioning I co-operated to my fullest ability, and, but when they just came along and threw a word at me, I didn't pay any attention to them. I was in no mood. It was almost impossible for me to concentrate on what they were saying unless they held my attention and actually questioned me for some length of time. This casual questioning, I was off in another world practically.

Q. And how long were you with these gentlemen?

A. We left Mile 270, which is my cabin at about twenty minutes to eight to go to Fairbanks.

Q. At about twenty minutes to eight?

A. Yes.

Q. And how long before that was it that you left the Ladd Air Force, Big Delta Air Force Base, the Patrol Office out there?

A. Well, we went directly from the Patrol Office to the Territorial Police Office there, if I remember right. I think we did. I'm pretty sure we did. [97]

Q. What time was that?

(Testimony of Mark Myers.)

A. Just before we stopped off at my homestead on the way to Fairbanks.

Q. Was anybody at the homestead when you stopped there?

A. Yes, there was a man staying there in the trailer.

Q. Did you talk with him?

A. Yes, I told him what was happening and I gave him instructions to feed the dogs.

Q. And this was twenty minutes to eight?

A. Half past seven, twenty minutes to eight.

Q. And what time was it that this questioning started?

A. Well, in an unofficial way it started as soon as the body was removed and I went over to the office.

Q. That would be approximately two o'clock?

A. All of that.

Q. At least that early? A. All of that.

Q. Then you were questioned from the hour of approximately two a.m., until approximately seven-thirty a.m.?

A. The questioning stopped before we left, of course, the official questioning.

Q. And was this the discussions that have been testified to here by the plaintiffs?

A. Yes, that was the gist of them. There were many questions.

Q. Now, they have, the complainants have stated that you [98] were not coherent in your speech; was that due to the shock or could you explain to the

(Testimony of Mark Myers.)

court and jury just what was the reason for that, if you were not coherent?

A. Well, if I was not coherent it was due to the circumstances which couldn't be hard to figure out. I suppose at times right now I am not too coherent. I am not gifted with fluent speech. I chop my words off and at a time like that I was worse than ever, naturally.

Q. Mr. Myers, I will ask you, had you had a sufficient quantity of drink to have been drunk or have been influenced by alcohol at the time of the accident?

A. In my opinion, no. I am not a stranger to drinking. I have been around people that drank and this constructions business is a hard business and there are hard people in it. They drink a lot. A case of beer is nothing for them to consume in one evening, happens every day.

Q. Do you consume beer like that?

A. No, not ordinarily.

Q. Did you this particular day?

A. Beg pardon.

Q. Did you have that many drinks that particular day? A. Definitely not.

Q. Now, you say that you have on several occasions drank. Now, would you state to the court and jury, do you know when you have had too much to drink?

A. About the time that a person just wants to keep going on and on, is when they have had too much. [99]

(Testimony of Mark Myers.)

Q. And on this particular day had you had too much to drink? A. No.

Q. Had you had enough to drink that it influenced your ability to drive or your reflexes?

A. No.

Q. Did you know at all times what you were doing? A. Definitely.

Q. And had you done exactly what you knew to do under circumstances such as you were confronted with at this time?

A. I did what I thought was best. I did it to the best of what I could think. At a time like that I naturally couldn't think too straight, but I did the things that I thought best to do.

Q. Was your mixed-up thinking due to having too much to drink or due to a depression due to shock?

A. Well, I never analyzed it very much, but it certainly wasn't from the drinking. I was confronted with a situation that I certainly hope nobody ever has to go through and I never have to go through again.

The Court: We will take a recess until four o'clock.

The Clerk: Court is recessed until 4:00 o'clock.

(Thereupon, at 3:50 p.m., the court took a recess until 4:02 p.m., at which time it reconvened and the trial of this cause was resumed.)

The Court: Counsel stipulate all the members of the jury are present? [100]

(Testimony of Mark Myers.)

Mr. Miller: Defendant will so stipulate, your Honor.

Mr. Yeager: Government so stipulates, your Honor.

The Court: Very well, proceed.

MARK MYERS

the witness on the stand at the time the recess was taken, resumed the stand for further

Direct Examination

By Mr. Miller:

Q. Mr. Myers, I call your attention back to the time that you were at that—you stated that you were at the Hunter's Lodge and did you testify as to how many beers you told the Highway Patrol that you had?

A. At this time you mean?

Q. Yes.

A. Well, I think I debated that question a little.

Q. How many did you tell them at the time of the questioning that you had?

A. As I remember it I said I might have had eight or ten, but the thing grew from that ten to twelve and I don't know where it will end.

Q. And now after consideration of the thing, how many did you have now that you can clearly think back on it?

A. Well, it is a hard question to say because when you are working you lay down a bottle and it will be half full and it will go dead, and you just

(Testimony of Mark Myers.)

leave it there, but I know that, I don't think there were over six bottles out there where we were [101] working.

Q. And now did Gene Morris place you under arrest at the time he took you over to his office?

A. No, not formally.

Q. When did he place you under arrest, Mr. Myers?

A. Well, I think it was when we were preparing to go to Fairbanks that he took my pocket knife away from me. I guess it was understood that I was under arrest. I don't know.

Q. Did he ever officially tell you that you were under arrest?

A. Well, I don't know the procedure, how do you officially tell a person; do you tell a person you are under arrest, or do you just take it for granted that you are under arrest when you are in custody?

Q. Did he ever state to you that you were under arrest? A. Not that I remember.

Q. Mr. Myers, what time was it that you left the Hunter's Lodge?

A. Well, it must have been midnight or soon thereafter.

Q. And were you in an intoxicated condition at the time you left? A. No. Definitely not.

Q. And from the Hunter's Lodge, where did you go? A. To the Trio.

Q. And when you left the Trio Lodge were you in an intoxicated condition?

A. Definitely not. [102]

(Testimony of Mark Myers.)

Q. And how long after you left the Trio Lodge was it before this accident occurred?

A. I would say five or six minutes, maybe ten. Maybe not that long.

Q. Did you—were you ever given an alcoholic test while on the base? A. No.

Q. And did you ever request one?

A. No. I was asked if I wanted a sedative.

Q. A sedative? A. Yes.

Q. And who asked you that?

A. Gene, Gene Morris.

Q. And do you know why he asked you that?

A. I suppose he thought I was emotionally upset. He thought I was. He knew I was.

Q. And approximately what time was that?

A. Well, that must have been around two o'clock.

Q. That was approximately an hour after the accident occurred then?

A. Well, it was when we were arriving at the hospital.

Q. You told him that you did not want a sedative? A. Yes.

Q. Do you recall the weather conditions on the 28th day of March, 1954?

A. Well, it was fairly warm. I don't think it was over twenty below. It got a little cooler in the night. It wasn't [103] too, it was a fairly warm evening earlier, but I was still dressed as I came from work and the clothes I had worn all winter. See, we work outdoors. We worked outdoors this winter or in the utilidors which are under the ground, very cold.

(Testimony of Mark Myers.)

Q. And how were you dressed?

A. Well, I had, was a commonly called long-johns, a hundred per cent wool, and a Pendleton wool shirt and a pair of gray wool pants commonly called Alaska tuxedo pants; two pair of wool socks, no, one pair of heavy wool socks and a pair of bunny boots and an Army pile jacket.

Q. Did you wear that particular clothing all through the evening and during the time that you were being questioned?

A. Yes, I did.

Q. And had the snow melted much at this particular time?

A. It had not melted much. We had had some warm days. The wind had blown some of it away, but where the snow plow pushed it over it had piled up between the roads. It wasn't bad, but it wasn't nothing that you would want to drive in.

Q. Then you were definitely not, or were you in an intoxicated condition at the time, at any time that you were on the public highways of Alaska?

A. In my opinion, and in this instance I wasn't.

Q. In your opinion; do you know whether you were or not?

A. I know, yes. I know I wasn't.

Q. You know that you were not?

A. I do. [104]

Q. It is a fact then that you were not drunk on the highways in Alaska?

A. It is a fact.

Mr. Miller: Your witness.

(Testimony of Mark Myers.)

Cross-Examination

By Mr. Stevens:

Q. Now, Mr. Myers, the word accident has been used here. Would you tell us, did you hit something with your truck? A. No.

Q. And the accident then that has been described here, was what; what exactly was the accident?

A. What we have described as an accident has been, the precedent has been set by the papers and those who described it officially. What actually happened was we had a little tiff, verbal disagreement when we left the Hunter's Lodge. It was with the understanding that we were to go to the Rancho Delta, a place that was going to open up that night supposedly. Pat knew this one woman personally and had promised to drop in for a minute during the night. It was their grand opening. So that was our purpose for leaving Hunter's Lodge instead of going home, and I was dirty and tired. I wanted to go home. So we proceeded toward the Rancho Delta. Well, as we came to the Trio she said, well, let's go in here for awhile, so I said fine, all right, so we had the one there. I had one and she had two, and I said, well, let's go see your friend [105] and then go home, I'm tired. She said all right. I promised to make an appearance and then we will go home, so as we got to the point where we would turn off to go down the Alcan to this Rancho Delta she said, let's go to the Triangle and her speech was getting

(Testimony of Mark Myers.)

a little thick and I realized right then it was too late to go any place in her condition, so I said to hell with it, let's go home, and I made a U turn onto the Alaska Road Commission ground, the side of the road past the Triangle Junction of the roads and headed for home. Just as we arrive at the middle of the Junction of the road, she says, all right, if you won't take me where I want to go I will jump out. Well, I kind of laughed and said, well, go ahead. She opened the door and kind of half-rolled out. She didn't jump. She rolled. I don't think she had any intention of jumping out. In that respect I think it was an accident.

Q. And after this happened, did your car keep going?

A. I brought it to a stop as soon as I could.

Q. And then what did you do?

A. I ran back to where she was.

Q. And what did you do after that?

A. I tried to pick her up. I picked her up but she was limp and I couldn't carry her, so I laid her back down again, looked up and down the road. Nobody was coming. There wasn't a car in sight. Then I ran and picked up the Army blanket that was on the seat of the car and laid it over her.

Q. And then what did you do? [106]

A. I looked up and down the highway and still no help, so I ran and jumped in the pick-up, guided it around her, pulled up to where the lights were shining on her body and stopped the motor.

(Testimony of Mark Myers.)

Q. By guiding it around her you mean you backed up so you would be behind her?

A. Yes.

Q. A minute ago you told Mr. Miller it had a bad clutch, you didn't back it up?

A. I didn't say I never backed it up. It was hard to mesh. It would be impossible to drive it at all in the winter time.

Q. It was possible to back it up?

A. It was possible but not very practical.

Q. Then you did back it up at some time?

A. That's right.

Q. Now, you stated that you were not asleep when this picture was taken?

A. That is what I stated.

Q. Who else was in the room there with you when this picture was taken?

A. That I do not know, because I wasn't looking around.

Q. There was a flash bulb, was there not?

A. There was a flash bulb.

Q. And is it normal for you to just be complacent when a flash bulb flashes in your face? [107]

A. I was far from complacent. I was sitting there, you might say, in a semi-stupor.

Q. You have seen a flash bulb when you have had possession of your faculties?

A. I have seen flash bulbs when I had possession of all my faculties and when I didn't.

Q. Do you have the normal reactions to a flash bulb?

A. At a normal time I probably do.

(Testimony of Mark Myers.)

Q. You would at least blink or set up or do something?

A. At times I suppose I would, and then again in night clubs many times flash bulbs are popping all around you and you don't pay any attention whatsoever.

Q. And you weren't asleep in the Dispensary?

A. Not to my knowledge.

Q. Who was in the Dispensary with you?

A. Orderlies going back and forth, quite a few people around there, seemed to be.

Q. For instance, who besides yourself?

A. Gene Morris was in there. He was called in to view the body and this, I didn't pay too much attention, the men were in uniform. They look more or less alike. I didn't pay much attention. There was quite a little activity and quite a little chatter behind peoples' hands and gossip among themselves that I was trying to ignore.

Q. Did you see the young Corporal?

A. I couldn't place the young Corporal again. I saw him [108] I suppose, but I paid no attention whatever.

Q. How did you get from the scene of the accident to the Dispensary?

A. I rode in the patrol car.

Q. And how did you get from the Dispensary down to the Provost Marshal's; did you ride again?

A. I am pretty sure we walked.

Q. You walked down there?

(Testimony of Mark Myers.)

A. Pretty sure. See, that was quite late. It was getting daylight then.

Q. Who was with you then?

A. Gene was there.

Q. Who else?

A. That I can't recall.

Q. And you walked down there?

A. I am pretty sure.

Q. Then who was at the Provost Marshal's place when you got there?

A. Well, there were several people there.

Q. Who for instance?

A. Well, I can't recall who they were naturally. They were in uniform. They looked more or less uniform to me. I wasn't paying very much attention.

Q. This was after the accident, was it not?

A. This was quite late, several hours.

Q. And at the time of the questioning you told the [109] officers that you had had at least eight or ten beers that night, you remember that?

A. Probably I told them that.

Q. But now it is your reflection, you decided that that was not the correct statement?

A. That was a general statement.

Q. But is it, isn't your memory good enough to refresh yourself as to the circumstances of how you got from the Dispensary to the Provost Marshal's; you have straightened yourself out on the number of beers you drank before the accident. Can't you

(Testimony of Mark Myers.)

straighten yourself out as to how you got from the Dispensary to the Provost Marshal's?

A. This it not a prepared statement so I didn't rehearse it. Therefore, there are blanks in my memory.

Q. I am just asking you. You have changed your mind as to the number of beers that you had that night, did you not?

A. I haven't changed my mind. This question was asked in an off-hand manner. I don't know. There was no follow-up on it. Nobody suggested that I was drunk right then. They wanted to know where I was, what I drank and what I done while I was there.

Q. You stated that you had been advised of your rights? A. Yes.

Q. And you knew that there was consideration of some type of a charge against you, you were being questioned, were you not? [110]

A. I was being questioned.

Q. And at that time you told the officers that you had at least eight or ten beers; is that correct?

A. I said I might have had eight or ten beers.

Q. Now you remember that you told them that at least?

A. Well, it come up so often and I was asked the question but nobody tried to put into my head how I got over to the Provost Marshal's.

Q. I am just asking you for the truth. How did you get from the Dispensary to the Provost Marshal's?

(Testimony of Mark Myers.)

A. I think I walked. I'm pretty sure.

Q. Did you see the Corporal when you were in the Dispensary?

A. I am pretty sure I did. I didn't pay much attention. I wasn't much worried about who was around me at that time.

Q. Did you see Mr. Althouse?

A. I saw some men. They were in uniform. I didn't pay much attention to them, who they were. There was a man typing down my answers.

Q. Were those same people at the Provost Marshal's office?

A. Yes, I'm pretty sure they were.

Q. You saw them there?

A. I am pretty sure.

Q. The same people who were at the Dispensary?

A. I am pretty sure. I couldn't swear to it. There was [111] another short chunky MP there also. They were scurrying around and I sat off in a corner and didn't pay much attention actually.

Q. Now, at the time you were being questioned, Mr. Myers, you were actually being questioned concerning the accident and Patricia Bowers, were you not? A. Yes.

Q. And you had no inclination that you were actually to be charged with operating a motor vehicle under the influence of liquor at that time?

A. No, I did not, and the inference wasn't made.

Q. And the questions they asked you about your

(Testimony of Mark Myers.)

degree of intoxication were not too important, were they?

A. They were put to me just off-hand.

Q. And you gave them a normal answer, the truth?

A. I gave them an off-hand answer.

Q. You stated you are not prepared to contradict Mr. Morris? A. That's right.

Q. And it is your belief now that you did tell him that you had had, that you did tell him you had had ten or twelve beers?

A. It is my belief that he asked me how many beers I had. I said about eight or ten. That's about what it was.

Q. You just said it in an off-hand manner. You are not going to dispute it with him, is that it? [112]

A. Well, I don't see any point in disputing it. They brought those beers out and we were working and might have had quite a few of them probably weren't drank up. We were discussing my condition, not how many beers I drank, weren't we?

Q. Well, I was just discussing whether or not you had made the statement. I wonder whether you were taking issue with Mr. Morris?

A. Well, the answer was given about the same spirit that the question was asked, in more or less off-hand.

Q. And whatever you told him you told him the truth at the time?

A. Near enough. I mean, it was not a lie. No-

(Testimony of Mark Myers.)

body gauges what they drink. Actually they drink until they figure they had enough.

Q. And you weren't actually gauging that night how much you had to drink?

A. No, I was working.

Q. But now, you counted back and decided you only had five beers?

A. Well, it couldn't have been too many.

Q. Now, you heard Mr. Morris say that he has seen you in various states of sobriety?

A. Yes.

Q. Have you known Mr. Morris very long?

A. Not intimately. [113]

Q. Have you ever discussed your state of sobriety with him before this instance?

A. Yes, I think it came up in a conversation.

Q. Did you discuss your tendency toward drinking at that time? A. Yes.

Q. And is it not a fact that you told him that you did have a tendency to drink too much?

A. Well, there is no recreation down there. There is about fifty people and about twelve beer joints going strong, so I guess I may take for granted that we all do.

Q. But you did tell him that at one time, did you not?

A. I discussed a tendency to party a little bit, but I am not an alcoholic. I don't do it all the time. At times a person will get interested in a congenial crowd and drink too much. I have seen most of the people in this country do the same thing.

(Testimony of Mark Myers.)

Q. We are dealing in particulars, do you——”

A. Do I what?

Q. Drink too much?

A. I drink too much for wisdom, but not too much to injure my health.

Q. Now, did you discuss this condition that you drink too much with Mr. Morris?

Mr. Taylor: Your Honor, I am going to object unless the proper foundation was laid as to the time he made those [114] statements to Mr. Morris. We don't know whether it was six months before this accident or two months after.

The Court: Objection overruled.

Q. (By Mr. Stevens): Did you discuss it with him at any time? A. Yes.

Q. And when was that?

A. I don't remember. It was about a month before, I guess.

Q. Did that conversation involve Miss Bowers?

A. Yes, we were discussing our relations.

Q. And was anyone with you at that time?

A. No.

Q. Would you mind telling us what you discussed with him then?

Mr. Taylor: We object, your Honor.

The Court: Objection sustained.

Q. (By Mr. Stevens): Now, Mr. Myers, you say that you drove down to the Buffelo Lodge to turn around?

A. The driveway of the Buffalo Lodge.

Q. Isn't it a fact that before you get to the

(Testimony of Mark Myers.)

Buffalo Lodge you would have come to the Triangle itself?

A. I was at the Triangle when I, you mean this is after the accident?

Q. After the accident when you drove the truck at Mr. [115] Morris' suggestion over to the patrol station. You were going south I take it?

A. Going north.

Q. Going north and if you went north would you not come to the intersection of the triangle first; you could have gone around the triangle and right into the patrol station?

A. Force of habit won't let you do something that you don't do every day. It is against the law to make a turn there. That is why there is a triangle. North road, can take the road to there right and south traffic takes the first road they come to.

Q. The north traffic on the Richardson?

A. Yes, they turn to the right to the triangle and I guess it never entered my mind to go around the thing. I don't know why. I should have considered it.

Q. Wasn't it a fact, Mr. Myers, that Mr. Morris tried to start that pick-up of yours and couldn't quite shift the gears?

A. That is true. Not that night.

Q. At what time was it?

A. Several days later. He didn't try too hard. He was afraid of injuring the car.

Q. Well, Mr. Myers, were you the driver of that vehicle the night that Patricia Bowers fell out?

(Testimony of Mark Myers.)

A. I certainly was.

Q. And were you at that time traveling on the Richardson Highway? [116] A. I was.

Q. Now, you came in here, I believe, to the Federal Building that morning, did you not?

A. Yes, it was late in the morning when we came here, very late.

Q. Do you remember coming to the jail and then being booked? A. Yes.

Q. And what time was it?

A. I'm not sure. I think it was around noon. I guess it was around eleven. It probably was. Maybe later. I wasn't paying much attention to it.

Q. Did you go right to the jail when you got in town?

A. No, we went to the Territorial Police Headquarters and waited for about a half an hour or longer.

Mr. Stevens: Your witness, Mr. Miller.

Redirect Examination

By Mr. Miller:

Q. Mr. Myers, I might ask you, did you, do you know any of the uniformed men at Big Delta Air Force Base? A. Not intimately.

Q. Do you know the, any of the uniformed men who were around or about you on the morning of the 28th of March, 1954? A. No.

Q. And you stated awhile ago that you were informed that anything you said would be held against

(Testimony of Mark Myers.)

you; just when were you informed of that, Mr. Myers? [117]

A. I think I was told that in Gene Morris' office at home.

Q. When you first went over there?

A. I'm pretty sure.

Q. And is your truck difficult to start or to operate?

A. At the time the clutch needed adjusting. Nothing serious. Half an hour's work to fix it.

Q. Did you have any trouble starting or driving the automobile over to Mr. Morris' house when he told you to?

A. No, you had to concentrate on the thing and double clutch it. It was safe to drive, but you had to watch it. You had to be a driver.

Q. But you didn't have any trouble driving the automobile? A. None whatever.

Mr. Miller: That's all.

Mr. Stevens: No further questions.

(Witness excused.)

The Court: Call your next witness.

Mr. Miller: At this time the defendant would like to call Mr. Al Marler to the stand.

AL MARLER

a witness called in behalf of the defendant was duly sworn, and testified as follows:

Direct Examination

By Mr. Miller:

Q. Would you state your name to the court and jury? [118] A. Al Marler.

Q. And what do you do, sir?

A. I run the Hunter's Lodge.

Q. The Hunter's Lodge, and where is that located?

A. About a mile and a half from triangle, Big Delta.

Q. And I call your attention to the 28th day of March, 1954; did you see the defendant Mark Myers on that day? A. Yes.

Q. And approximately what time was it that he first came to your attention and under what conditions did you see him?

A. He came there after work with a power plant that I had borrowed.

Q. You had made previous plans with him to install a power plant? A. Yes, sir.

Q. And approximately what time was that that he arrived at your house, at your establishment?

A. Shortly after five o'clock.

Q. And what did you say he did while he was there?

A. Unloaded the plant and hooked it up and worked with it most of the evening.

Q. Did you work with Mr. Myers on this project?

(Testimony of Al Marler.)

A. Yes.

Q. And what time did you get the power plant hooked up?

A. We got it running before seven o'clock, such as it was. [119]

Q. And did you do any more work on it during the evening?

A. Off and on I worked on it until four o'clock in the morning. After he left even.

Q. And did Mr. Myers work with you on it up until the time; did he work with you on it?

A. Until he left.

Q. And what time was it he left?

A. Around midnight, I guess.

Q. Approximately twelve o'clock?

A. Approximately.

Q. And did Mr. Myers have anything to drink at your establishment during this time?

A. He had some beer.

Q. And did you deliver the beer to him?

A. Yes.

Q. Could you tell us off-hand approximately how many beers Mr. Myers had at your place of business?

A. Well, offhand, maybe four or five during the evening.

Q. During the whole time he was there?

A. I couldn't swear to that exactly because there were other people there, and—— (Interrupted.)

Q. Did he have an excessive number of beers?

A. No.

(Testimony of Al Marler.)

Q. I will ask you this, did he have ten beers while he was there between five and midnight?

A. I doubt it. [120]

Q. At the time that Mr. Myers left your establishment, was he under the influence of alcohol?

A. Absolutely not.

Q. And have you seen Mr. Myers under the influence of alcohol?

A. Well, I have never seen Mr. Myers in too bad a condition.

Q. But this particular evening did he show any signs whatsoever of having had too many?

A. No.

Q. Then in your opinion, how long have you known—I will withdraw that in your opinion. How long have you known Mark Myers?

A. About two years.

Q. And in your opinion then when he left your establishment was he under the influence of alcoholic beverages?

A. No.

Q. Do you recall the 28th day of March fairly well?

A. Well, only because of the accident.

Q. You do recall the date due to the accident?

A. Yes.

Q. And you recall the weather conditions about that time?

A. It was fairly cold yet.

Q. Had it begun to thaw?

A. That I couldn't, seems, like it had.

Q. And you say that, what time do you ordinarily close [121] your establishment there?

(Testimony of Al Marler.)

A. Well, down there it depends on the traffic. If the traffic quits why we close up.

Q. And do you recall the approximate time of daylight on the 28th of March?

A. No, I don't.

Mr. Miller: No further questions.

Cross-Examination

By Mr. Yeager:

Q. Mr. Marler, I believe you stated that you owned Hunter's Lodge; is that correct?

A. No, I lease it.

Q. Were you working as a bartender March the 28th?

A. Part of the time, when I wasn't working on the power plant.

Q. Well, did you alternate back and forth?

A. Certainly.

Q. Was Mr. Myers with you at all times?

A. Well, not right with me all the time, but he was there. He was helping me with the plant.

Q. Was he at any time in your bar with Patricia Bowers? A. Certainly.

Q. Were you there at all times that he was in the bar with Patricia Bowers?

A. Well, I was in and out of the bar. I couldn't be both places. [122]

Q. Mr. Myers is a pretty good patron of your bar, isn't that correct? A. Not particularly.

Q. He doesn't come in often then? Is that your statement?

(Testimony of Al Marler.)

A. Well, I have got several that come in a lot more than he does, a lot more oftener if that is what you mean.

Q. And he does come in quite often?

A. That's right.

Q. And are you able to positively state how many beers he drank that night?

A. No, I said I couldn't.

Q. Now, I believe you stated that you didn't think he was intoxicated; what do you base that on?

A. Well, he didn't appear to be.

Q. You saw him when he left your place?

A. Absolutely.

Q. Do you think maybe he had four or five beers during the whole evening?

A. Well, I wouldn't swear to the amount of beer. There were other people there. In fact, quite a number.

Q. So actually you didn't pay strict attention to the number of beers he drank?

A. No, I couldn't swear to it.

Q. And did you at the time that he left pay particular attention to the way he walked? [123]

A. Well, not necessarily. He wasn't loud or anything. We did have a few in there that were. When they went out the door you couldn't miss them.

Q. Did he leave with Patricia Bowers?

A. That's right.

Q. You talk to him just before he left?

A. Yes.

(Testimony of Al Marler.)

Q. Seem perfectly coherent at that time?

A. At that time he certainly did.

Q. I believe you have stated you have known him for two years?

A. About that. I wouldn't say exactly how long it has been.

Q. You would consider him a pretty good friend of yours; is that correct?

A. Well, certainly.

Mr. Yeager: That's all.

Redirect Examination

By Mr. Miller:

Q. You state that you installed that generator in your place of business. Just where did you install it, was it out in the yard; was it in a room?

A. No, out in the open behind the building.

Q. And was that a fairly hard job to install that?

A. Quite a job, yes.

Q. And did you and Mr. Myers, or did Mr. Myers is the [124] is the one I am interested in, did he have a beer or two while installing that?

A. That's right.

Q. And did he have beers off and on the rest of the time? A. Yes, every now and then.

Q. And you brought them to him?

A. Yes.

Q. Now, did you see him driving away?

A. No, I didn't actually see him drive away. I couldn't say that. There was a lot of cars there.

(Testimony of Al Marler.)

Q. You talked to him though just before he went outside? A. That's right.

Q. And at the time that you were talking with him, did he appear to be normal and sober?

A. That's right.

Q. And did he talk coherent?

A. That's right.

Q. And then in your opinion he was not in any manner intoxicated? A. No.

Mr. Miller: I believe that is all.

Recross-Examination

By Mr. Yeager:

Q. I believe you stated, Mr. Marler, that you were installing that generator outside; is that correct? [125] A. That's right.

Q. Did the defendant Mark Myers leave Patricia Bowers sitting and then go out and help you and then come back? A. Yes, naturally.

Q. He didn't stay with her the biggest part of the evening?

A. Well, were in and out, as I said, all evening. My wife was also on the bar that night.

Q. Did you notice the conditions of Miss Bowers when she left?

A. She was all right as far as I could tell.

Q. She was in good condition, too?

A. She had had quite a few drinks, but then it wasn't showing bad on her.

Q. You would say that she wasn't under the in-

(Testimony of Al Marler.)

fluence either? A. Not too bad.

Mr. Yeager: Thank you, Mr. Marler.

Mr. Miller: I believe that is all.

(Witness excused.)

Mr. Miller: At this time the defendant would like to call Mr. Jess Taylor to the stand.

JESS TAYLOR

a witness called in behalf of the defendant, was duly sworn and testified as follows: [126]

Direct Examination

By Mr. Miller:

Q. Would you state your name to the court and jury, please. A. Jessie Taylor.

Q. And what do you do, sir.

A. Well, I am bartender at the Club Trio at present.

Q. And were you so occupied on the 28th day of March, 1954? A. Yes, I was.

Q. And during the early morning of the 28th day of March, 1954, did you have occasion to see the defendant, Mark Myers? A. Yes, sir.

Q. And where did you see him?

A. He came into the Club Trio where I was working.

Q. Was he alone?

A. No, sir, Miss Bowers was along with him.

Q. And were you there the whole time that Mr Myers was there? A. Yes, sir, I was.

(Testimony of Jess Taylor.)

Q. And were you working at the time?

A. Yes, sir.

Q. And did you have occasion to serve Mr. Myers?

A. Yes, sir, I did.

Q. And would you know if he had anyone else serve him besides yourself? [127]

A. Yes, I would.

Q. I will ask you on this particular evening how many drinks Mr. Myers had at your establishment?

A. He just had one.

Q. And what was it?

A. One beer.

Q. And did the party that he was with have anything to drink?

A. Yes, sir, she had two drinks.

Q. Now, what time did Mr. Myers leave your establishment?

A. Well, I don't exactly know, but it wasn't later than one o'clock, I don't believe.

Q. It was approximately one o'clock?

A. Yes, sir.

Q. And did you have occasion to talk with him just before he left?

A. Well, we had been talking and Miss Bowers was talking to one of the women that run the place, and then she came back and was talking to him. I don't believe we were for the last ten or fifteen minutes he was there anyway.

Q. Did you have occasion to observe his demeanor and behavior?

A. Well, there wasn't much to that. He just sat

(Testimony of Jess Taylor.)

there on the stool and drank some of his beer and we talked.

Q. Now, I will ask you when Mr. Myers left your establishment there was he intoxicated? [128]

A. I don't believe he was, sir.

Q. And do you believe that you could tell if he was intoxicated? A. I think so.

Q. How long have you known Mr. Myers?

A. Oh, possibly eight months.

Q. And at the time that he left your establishment then, you do not believe him to be under the influence of alcohol? A. No, sir.

Q. And how long did you say he was at your place of business?

A. Forty-five minutes or an hour at the most.

Mr. Miller: Your witness.

Cross-Examination

By Mr. Yeager:

Q. Where is this you work now, Mr. Taylor?

A. At the Club Trio.

Q. How long have you worked there, Mr. Taylor?

A. Well, until I got out of the Army I worked just week ends for all winter.

Q. You have known Mark Myers for how long?

A. Since September last year was the first time I met him.

Q. Pretty good customer of yours; is that correct? A. Fairly good, yes. [129]

Q. Now how long was Mark Myers in your club?

A. About forty-five minutes or an hour.

(Testimony of Jess Taylor.)

Q. Did you have any other patrons there?

A. I don't believe there was. There might have been one came in and then out again, but they were the only ones there that stayed any time at all.

Q. You remember March 28, 1954, very clearly then; is that correct?

A. Well, not too clearly but I remember that particular part because it was just a short time after that that we heard about the accident. Somebody came in just fifteen or twenty minutes after they had been gone.

Q. What was the condition of Miss Bowers; was she under the influence?

A. Well, you could tell she had had just a little more than she could hold.

Q. But you couldn't tell a thing about Mr. Mark Myers?

A. No, sir.

Q. You don't believe then that he was under the influence?

A. No, I don't.

Q. You are positive and able to state under oath that he only had one beer in your establishment?

A. Yes, I am.

Q. Have you talked to Mr. Myers about this case?

A. No, I haven't.

Q. You haven't talked to him about it at [130] all?

A. No.

Mr. Yeager: That's all.

Mr. Miller: That's all.

(Witness excused.)

Mr. Miller: The defendant rests, your Honor.

The Court: Would you like to take a recess and commence the case at ten o'clock in the morning?

Mr. Yeager: Your Honor, I wonder if I may just put on one witness. I have just one rebuttal witness your Honor. It won't take over five minutes.

The Court: Very well, yes.

EDWIN ENGLISH

a witness called on behalf of the plaintiff, having been previously sworn, was recalled in rebuttal and testified further as follows:

Direct Examination

By Mr. Yeager:

Q. Mr. English, I believe you stated on direct examination that you saw Mr. Myers at the clinic; is that correct? A. Yes.

Q. Do you know how Mr. Myers proceeded from the clinic to the Provost Marshal's office?

A. Yes, he went in a jeep with Sergeant, Sergeant Flanagan and myself followed the jeep.

Q. You are positive that he didn't walk down?

A. Positive. The jeep is quite hard to get in and out. He should know that. [131]

Mr. Yeager: You may take the witness, Mr. Taylor.

Mr. Miller: No questions.

(Witness excused.)

Mr. Yeager: We are agreeable to the recess now, your Honor.

The Court: Very well. In a moment we will take a recess, ladies and gentlemen of the jury. In the meantime, remember not to talk about the case or the parties or to permit anyone to talk about them within your hearing. Keep your minds perfectly free from an opinion as to the guilt or innocence of this defendant until the case is finally submitted to you. Make the adjournment.

The Clerk: Court is adjourned until ten o'clock tomorrow morning.

(Thereupon, at 4:50 p.m., the trial of this cause was adjourned until June 10, 1954, at 10 a.m.)

* * *

Be It Remembered, that upon the 10th day of June, 1954, at the hour of 10 o'clock a.m., the trial of this cause was resumed, the plaintiff and the defendant both represented by counsel, the Honorable Harry E. Pratt, District Judge, presiding.

The Court: Call the roll of the jury.

(Whereupon, the Clerk of Court proceeded to call the roll of the jury.) [132]

The Clerk: They are all present, your Honor.

The Court: Counsel ready to proceed with the trial of this case?

Mr. Taylor: Yes, your Honor. If the court please, at this time we would like to make a motion to the court.

The Court: The jury will retire to the jury room until notified to return to the court.

(Thereupon, the jury withdrew and the following proceedings were had out of the presence and hearing of the jury):

Mr. Taylor: We move the court for a judgment of acquittal of the defendant of the crime charged in the Complaint, to wit, the operation of a motor vehicle while under the influence of intoxicating liquor, upon the ground, your Honor, that there has been a total failure of proof of the material allegations in the Complaint in that there is no testimony of the defendant operating a motor vehicle while under the influence of liquor in any manner.

In the first place, the only evidence of driving is the evidence of this defendant who made a statement to Mr. Morris that he drove the car. Nobody saw him in the automobile. Nobody saw him in the manner that he drove it, and there was no testimony by Mr. Morris or by any other person but what he operated that car in a reasonable, prudent manner as a reasonable prudent person would; and that is borne out, your Honor, by the testimony of Morris himself who is a Highway Patrolman who [133] turned the car back over to Mr. Myers who drove it then down the road and turned it and went back, took it up to Mr. Morris' place and if he had have been intoxicated Morris certainly would not have turned the car over to Mr. Myers. And Morris said he operated the vehicle in an ordinary manner. That is the only person that ever saw Mr. Myers drive a

car. That was Morris, the Highway Patrolman, and he said he operated it in an ordinary manner; that he let him take it because he didn't know he was drunk. So there is no evidence, your Honor, in this case to show that Mr. Myers was intoxicated.

The mere fact that he drank some beer, your Honor, is no evidence of operating a vehicle while under the influence of intoxicating liquor. We have to define what the influence is. The influence that he must have consumed sufficient quantity of liquor that it would affect his nervous system, his brain, and his control of the car to an appreciable extent as compared with an ordinary driver in possession of his natural faculties. They haven't shown that, your Honor. That is the whole gist of this question, was he under the influence of liquor at the time that he drove the automobile? He certainly wasn't, your Honor, when Mr. Morris turned the car over to him to drive over to Morris' office. His operation of that car was not impaired in any appreciable extent whatsoever or Morris would have noticed it and they would have certainly testified to it.

Now, there was a man saw this fellow drive that car [134] within a few moments after this accident that he had when the car door came open and Patricia Bowers fell out. Now, your Honor, the testimony here, there has been a coroner's inquest in this and that this man has been exonerated from any blame in her death. It was entirely accidental. It appears that there is some, it appears to me anyway, that there is an effort being made to punish

this man because Patricia Bowers fell out of the side of the car, opened the door and fell out, and met her death in that manner, not for the driving while drunk, your Honor; and we feel that in view of the facts that there is no evidence of drunkenness on the part of Mr. Myers. In fact, the evidence of the man, the licensee, the owner of the Hunter's bar and the bartender at the Club Trio, I believe it was, both testified, Club Trio he had one glass of beer. Don't know whether he finished it or not, and from seven o'clock or six o'clock in the evening until midnight he worked on the generator at the Hunter's bar and had four or five or maybe six glasses of beer; and there was two men, your Honor, testifying that if they were testifying falsely, they were subject to prosecution to selling intoxicating liquor to a man that was drunk; but they come in here willingly and say that the man was absolutely sober when he left the Hunter's bar. He was sober when he left the Club Trio. His own testimony is that he was sober and the testimony of Mr. Morris that he could operate the truck as a reasonable, ordinary sober person would operate it. In fact, the testimony is that he manipulated that truck when Mr. [135] Morris couldn't get it going because the clutch was jimmied up some way so that the man had to be in position, in possession of his faculties when he could operate it and Mr. Morris couldn't get it going. We feel that there has been a total failure of proof in this, your Honor; that the case should not be submitted to the jury for the reasons I have stated: that there is no evidence the man was under the

influence of liquor; that it was not such that it impaired his ability to operate the car as a reasonable, sober, prudent person would.

The Court: The motion will be denied. Call the jury.

(Thereupon, the jury re-entered the courtroom, and the following proceedings were had in the presence and hearing of the jury):

The Court: Counsel stipulate all members of the jury are present?

Mr. Taylor: Yes, your Honor.

Mr. Yeager: Government so stipulates, your Honor.

The Court: Very well. Call your next witness.

Mr. Yeager: The government rests, your Honor.

Mr. Miller: The defendant rests, your Honor.

The Court: How much time do you want for argument?

Mr. Taylor: Thirty minutes, your Honor, will be sufficient to a side.

The Court: That satisfactory with you?

Mr. Yeager: Very agreeable. [136]

The Court: All right. Proceed.

(At this time, Mr. Yeager presented argument to the jury.)

(At this time, Mr. Taylor presented further argument to the jury.)

(At this time, Mr. Miller presented further argument to the jury.)

(At this time, Mr. Stevens presented rebuttal argument to the jury.)

(At this time, the Court read the instructions to the jury as follows):

Instructions to the Jury

Members of the Jury:

You are instructed:

1.

(a) The jury is instructed that Criminal Complaint in Cause No. 43-B, in the United States Commissioner's and ex officio Justice of the Peace Court, Raymond A. Stirewalt, Commissioner's Courtroom, Big Delta, Alaska, Division aforesaid, defendant was charged with the crime of operating a motor vehicle while under the influence of intoxicating liquor and duly convicted thereof; an appeal was taken from such conviction to this court wherein the cause is ready for trial anew on said charge, as Cause Number 1870 Criminal, of this court.

(b) The jury is further instructed that the said Criminal [137] Complaint reads as follows:

“That said Mark Myers on the 28th day of March, 1954, in Fairbanks (Big Delta) Precinct, Fourth Division and Territory of Alaska, then and there being did then and there wilfully and unlawfully operate a motor vehicle upon a public highway, to wit, on the Richardson Highway, Big Delta Junction, south of the Town of Fairbanks, Alaska, while under the influence of intoxicating liquor, in viola-

tion of Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949.”

(c) The jury is instructed that if the United States has proved beyond a reasonable doubt each allegation set forth in said Criminal Complaint, as mentioned in subparagraph (b) of this instruction, then the jury should find the defendant guilty of the crime charged in said Criminal Complaint. On the other hand, if the jury finds that any one of the allegations set forth in said Criminal Complaint has not been proved to be true beyond a reasonable doubt, the jury should find the defendant not guilty of the crime set forth in said Criminal Complaint.

(d) Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949, as mentioned in subparagraph (b) of this instructions, provides as follows: “Any person who, while under the influence of intoxicating liquor operates or drives any automobile or other motor vehicle upon any public street or highway in Alaska, shall, upon conviction thereof, be punished by a fine of not more than One Thousand Dollars, or by imprisonment [138] for a period of not more than one year, or by both such fine and imprisonment.”

2.

You are instructed that a person charged with the commission of a crime shall at his own request, but not otherwise, be deemed a competent witness in his own behalf—the credit to be given to his testimony being left solely to the jury under the instructions of the Court.

You are instructed that in this case the credit to be given to the testimony of the defendant, who has voluntarily offered himself as a witness and testified in his own behalf, is left solely to you and you should give it the same fair and candid consideration as you do the testimony of other witnesses in the case, but you have a right to take into consideration the interest of the defendant in the result of the trial as affecting his credibility.

2-A.

Except where the Court declares the evidence to be conclusive, you, members of the jury, are the judges of the value of all of the evidence admitted in the case. However, your power of judging the effect of evidence is not arbitrary, but must be exercised with legal discretion and in subordination to the rule of evidence as administered by and given to you by the Court in its Instructions.

You should not permit the remarks or expressions of opinion by the attorneys in the case to influence your judgment [139] unless the same are in conformity with the evidence or are logical deductions therefrom.

Your duty is to determine the facts of the case from the evidence submitted in conformity with the Instructions of the Court.

It is the duty of the Judge of this Court to instruct you as to the law involved in this case and it is your duty, as jurors, to accept as law and to

follow the same, whatever is laid down to you as the law of the case by the Judge of this Court.

3.

You are instructed that the Criminal Complaint is a mere accusation and is not in itself any evidence of the Defendant's guilt.

The Defendant has pleaded not guilty to the matters set forth in said Criminal Complaint. That plea puts in issue every material allegation of the Criminal Complaint and puts the burden of proof upon the Plaintiff to prove every such allegation beyond a reasonable doubt. The Defendant is presumed to be innocent and until the Plaintiff has proven every material allegation of said Criminal Complaint beyond a reasonable doubt, the Defendant is entitled to the continued benefit of the presumption of his innocence.

4.

You are instructed that the laws of the Territory of Alaska lay down the following general rules for your guidance [140] as to the value of evidence, to wit:

1. That you are not bound to find in conformity with the declarations of any number of witnesses which do not produce conviction in your minds against a less number, or against a presumption or other evidence satisfying to your minds.

2. That a witness wilfully false in one part of his testimony may be distrusted in others.

3. That evidence is to be estimated not only by its own intrinsic weight, but also according to the evidence which it is in the power of one side to produce and of the other to contradict; and, therefore,

4. That if the weaker and less satisfactory evidence is offered when it appears that stronger and more satisfactory evidence was within the power of the party, the evidence offered should be viewed with distrust.

5. That oral admissions of a party should be viewed with caution.

5.

You are instructed as follows:

1. That you should not consider any evidence sought to be introduced, but excluded by the Court, nor should you consider any evidence that has been stricken from the record by the Court;

2. That it is manifestly impossible for the Court to cover the law of this case in a few instructions and that, [141] therefore, you should consider all the instructions together and not disconnectedly;

3. That wherever in these instructions the masculine is used, it shall be deemed to include the feminine, unless the context shows it to be inapplicable.

4. That you should endeavor to agree upon a verdict and should calmly reason with your fellows with the view of arriving at a verdict. You should

not refuse to agree from pride of opinion, nor should you surrender any conscientious views founded on the evidence or lack of evidence.

5. That wherever in these instructions the singular is used, it shall be deemed to include the plural, unless the context shows it to be inapplicable.

6.

In regard to the term "reasonable doubt," as used in these instructions and as defined by law, you are instructed as follows:

(a) If, after considering all of the evidence in the case, there is in the minds of the jury a fixed conviction that the defendant is guilty and that conviction arises out of the evidence in the case, the jury would be justified in considering that there is no reasonable doubt in the minds of the jury in the sense in which the term is used in law.

(b) A doubt, to be such a reasonable doubt, must be actual and substantial and not a mere fanciful speculation. It cannot be a reasonable doubt if it ignores a reasonable [142] interpretation of the evidence or lack of evidence within the power of a party to produce or arises merely from sympathy or a vague fear. The rule of law as to a reasonable doubt is a practical rule for the guidance of practical jurors when engaged in the solemn duty of assisting in the administration of justice and is not whimsical or fanciful. A mere possibility of error or mistake does not constitute a reasonable doubt. Despite every precaution that may be taken to pre-

vent it, there may be in most human affairs a mere possibility of error. A doubt, to be a reasonable doubt, must have a real substantial basis and not be mere fancy or conjecture. It must be such a doubt as would give rise to grave uncertainty and make the juror feel that he did not have an abiding conviction of the Defendant's guilt. To prove a proposition beyond a reasonable doubt, the evidence or lack of evidence must be such that it would convince a prudent man of its truth to such a degree of certainty that he would feel like acting upon such conviction in matters of the highest importance to his own personal interests.

7.

You are instructed that there are two general classes of evidence, direct and circumstantial. Evidence as to the existence of the main fact in issue is direct evidence, while circumstantial evidence relates to the existence of facts which raise a logical inference as to the existence of the main fact in issue. [143]

It is not necessary to prove a case by the testimony of eye witnesses, but the same may be established by facts and circumstances from which issues of the case may be reasonably and satisfactorily inferred.

Circumstantial evidence is to be regarded by the jury in all cases where it is offered. Sometimes it is quite as convincing in its power as the direct and positive evidence of eye witnesses, and when it is strong and satisfactory, the jury should so consider

it, neither enlarging or belittling its force, but the circumstances when taken together should be of a conclusive nature and tendency, leading on the whole to a satisfactory conclusion.

8.

Pursuant to the foregoing instructions I have prepared for you a form of verdict which is more or less self-explanatory. There is a blank in which you should insert the words "guilty," or "not guilty," according to your finding. Upon retiring to your jury room you should elect a foreman and by him or her sign the verdict upon which you unanimously agree and return it into the court as your verdict.

Herewith I hand you these instructions for your guidance, together with the exhibits that have been introduced in evidence, the Criminal Complaint in the case, and form of verdict above mentioned. Return all of these into Court with your verdict.

Dated at Fairbanks, Alaska, this 10th day of June, 1954. [144]

/s/ HARRY E. PRATT,
District Judge.

(At the conclusion of the court reading the instructions to the jury, the following proceedings were had.)

The Court: Attorneys may come forward now for exceptions.

Mr. Miller: No objections, your Honor.

Mr. Yeager: No exceptions, your Honor.

The Court: The jury may retire in the custody of the bailiffs.

(At 11:15 a.m., the jury in charge of its sworn bailiffs, retired to enter upon its [145] deliberations.)

United States of America,
Territory of Alaska—ss.

I, Mary F. Templeton, official court reporter for the District Court, District of Alaska, Fourth Judicial Division, Fairbanks, Alaska, do hereby certify as follows, to wit:

That I was the official court reporter for the above-named court on June 9 and 10, 1954, the dates upon which the cause of United States of America vs. Mark Myers was heard;

That I recorded in shorthand all of the oral proceedings had in open court upon said dates;

That the foregoing pages, numbered 1 through 145, both inclusive, are a full, true, complete and accurate transcript of my original shorthand notes.

Dated at Fairbanks, Alaska, this 4th day of September, 1954.

/s/ MARY F. TEMPLETON,
Official Court Reporter.

Subscribed and sworn to before me this 4th day of September, 1954.

[Seal] /s/ JOHN B. HALL,
Clerk of Court.

[Endorsed]: Filed September 4, 1954. [146]

[Title of District Court and Cause.]

CERTIFICATE OF THE CLERK

I, John B. Hall, Clerk of the above-entitled Court, do hereby certify that the proceedings in this cause listed below comprise all proceedings requested by the defendant and appellant in his Designation of Record; also, the request of the plaintiff and appellant in its Designation of Record, viz.:

1. Complaint.
2. Transcript of the Record of the Trial, separately bound, pages 1 to 146, inclusive.
3. Defendant's Motion for Judgment of Acquittal at close of plaintiff's evidence.
4. Defendant's Motion for Judgment of Acquittal at the close of all evidence.
5. Verdict of the Jury.
6. Motion for a New Trial.
7. Order Denying Motion for a New Trial.
9. Statement of Points on Appeal.
10. Designation of Contents of Record on Appeal, defendant's and appellant's.
11. Government's Exhibit "A," in envelope.
12. Designation of Record of plaintiff and appellee.

Witness my hand and the seal of the above-entitled Court this 17th day of September, 1954.

[Seal] /s/ JOHN B. HALL,
Clerk of Court.

[Endorsed]: No. 14520. United States Court of Appeals for the Ninth Circuit. Mark Myres, Also Known as Mark Myers, Appellant, vs. United States of America, Appellee. Transcript of Record. Appeal from the District Court for the District of Alaska, Fourth Division.

Filed September 20, 1954.

/s/PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the
Ninth Circuit.

No. 14,520

IN THE

**United States Court of Appeals
For the Ninth Circuit**

MARK MYRES, also known as Mark
Myers,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

**On Appeal from the District Court of the United States
for the District of Alaska, Fourth Judicial Division.**

BRIEF FOR APPELLEE.

THEODORE F. STEVENS,

United States Attorney,

GEORGE M. YEAGER,

Assistant United States Attorney.

Fairbanks, Alaska,

Attorneys for Appellee.

FILED

AUG 16 1955

PAUL P. O'BRIEN, CLERK

Subject Index

	Page
Jurisdiction	1
Statutes and Rules Involved.....	1
Question Presented	2
Counterstatement of the Case.....	3
Argument	5
Conclusion	10

Table of Authorities Cited

Cases	Pages
Bauer v. People, 103 Col. 449, 86 P. 2d 1088 (1949).....	6
Bell v. State, 122 N.E. 2d 466 (Indiana, 1954).....	9
Commonwealth v. Lyseth, 250 Mass. 555, 146 N.E. 18 (1925)	8
Hasten v. State, 35 Ariz. 427, 280 Pac. 670 (1929).....	7
Henderson v. United States, 143 F. 2d 681, 682 (9th Cir. 1944).....	9
People v. Dingle, 56 Cal. App. 445, 205 Pac. 705 (1922) ...	7
People v. Ekstromer, 71 Cal. App. 239, 235 Pac. 69, 72 (1925)	6
Schino v. United States, 209 F. 2d 67, 72 (9th Cir. 1954)...	10
State v. Ketter, 121 Kan. 516, 247 Pac. 430 (1926).....	9
State v. Noble, 119 Ore. 674, 250 Pac. 833, 834 (1926).....	7, 9
State v. Rand, 166 Ore. 396, 111 P. 2d 82 (1941).....	6
State v. Rodgers, 91 N.J. Law 212, 102 A. 433 (1917).....	7
State v. Steele, 117 N.E. 2d 617 (Ohio, 1952).....	9

Statutes

Act of June 6, 1900, c. 786, 31 Stat. 322, as amended, 48 U.S.C. 101	1
Act of June 25, 1948, c. 646, 62 Stat. 929, as amended, 28 U.S.C. 1291	1
Alaska Compiled Laws Annotated, 1949, Section 50-5-3.....	1, 3

Miscellaneous

Federal Rules of Criminal Procedure, Rule 29(a).....	2, 8
--	------

No. 14,520

IN THE

**United States Court of Appeals
For the Ninth Circuit**

MARK MYRES, also known as Mark
Myers,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

**On Appeal from the District Court of the United States
for the District of Alaska, Fourth Judicial Division.**

BRIEF FOR APPELLEE.

JURISDICTION.

The jurisdiction of the District Court below was based upon the Act of June 6, 1900, c. 786, Section 4, 31 Stat. 322, as amended, 48 U.S.C. 101.

The jurisdiction of this Court of Appeals is invoked pursuant to the Act of June 25, 1948, c. 646, 62 Stat. 929, as amended, 28 U.S.C. 1291.

STATUTES AND RULES INVOLVED.

Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949, provides:

“Section 50-5-3. Driving while under influence of intoxicating liquor or drugs. Any person who, while under the influence of intoxicating liquor or narcotic drugs, operates or drives any automobile, motorcycle or other motor vehicle upon any public street or highway in Alaska, shall, upon conviction thereof, be punished by a fine of not more than One Thousand Dollars, or by imprisonment for a period of not more than one year, or by both such fine and imprisonment.”

Rule 29(a) of the Federal Rules of Criminal Procedure provides:

“Motion for Acquittal

(a) *Motion for Judgment of Acquittal.* Motions for directed verdict are abolished and motions for judgment of acquittal shall be used in their place. The court on motion of a defendant or of its own motion shall order the entry of judgment of acquittal of one or more offenses charged in the indictment or information after the evidence on either side is closed if the evidence is insufficient to sustain a conviction of such offense or offenses. If a defendant’s motion for judgment of acquittal at the close of evidence offered by the government is not granted, the defendant may offer evidence without having reserved the right.”

QUESTION PRESENTED.

Did the District Court err in denying the appellant’s motion for judgment of acquittal at the close of all the evidence?

COUNTERSTATEMENT OF THE CASE.

A complaint was filed on the 29th day of March, 1954, with the United States Commissioner at Big Delta, Alaska, charging the appellant with the crime of Operating a Motor Vehicle While Under the Influence of Intoxicating Liquor, in violation of Section 50-5-3 of the Alaska Compiled Laws Annotated, 1949.

In a jury trial held before the same Commissioner, the appellant was found guilty and a judgment was duly entered. Appellant appealed the case to the District Court for the District of Alaska, Fourth Judicial Division, pursuant to Alaska statutes and procedure for a trial *de novo*. On the 9th day of June, 1954, appellant was brought to trial before a jury in the District Court.

Gene Morris, a Territorial policeman with four years experience as an officer, testified that on the 28th day of March, 1954, at approximately 1:30 a.m., he went to the scene of an accident at Big Delta Junction (T.R. 13), which is about ninety-seven (97) miles south of Fairbanks. There, he found the appellant bending over the body of Patricia Bower which was lying on the highway near appellant's pick-up truck. Morris detected the odor of alcohol on appellant's breath (T.R. 15), but could not describe any other physical condition at the time because it was dark and his assistance was needed in removing Patricia Bower. Before the accident, Patricia Bower, the companion of appellant, had been riding in the vehicle, from which, according to the appellant, she rolled out. (T.R. 109.)

After the ambulance arrived, Morris went to his office a short distance from the Junction where he questioned the appellant for ten or fifteen minutes. (T.R. 21.)

Morris testified that appellant's balance was impaired and he went to sleep at various times. Morris had seen the appellant when he was sober, semi-drunk and intoxicated, and in his opinion appellant was highly intoxicated. In addition appellant had admitted to him that he had drunk ten or twelve beers at Hunter's Lodge (T.R. 15, 16, 17.)

Sergeant Charles Althouse, an M.P. with seven years experience, had an opportunity to observe appellant at the scene and for a period of approximately two hours. (T.R. 50.) He testified that appellant was not too steady on his feet; his speech was slightly incoherent; the odor of alcohol was present on his breath; and, in his opinion, the appellant was drunk. (T.R. 51.) He also testified to being present at the times when the appellant admitted how much he had to drink earlier in the evening.

Corporal Edwin English, an Army photographer, took a picture of appellant about 3:30 on the morning of the 28th (T.R. 75) and testified to appellant's instability and sleepiness. His observation covered a period of an hour and fifteen minutes. In English's opinion, the appellant was under the influence.

The Government then rested its case and counsel for appellant moved for a judgment of acquittal which was denied by the trial court. (T.R. 87, 89.)

Appellant testified that he had gone to Hunter's Lodge about 5:30 p.m. (T.R. 95) and remained there until midnight or thereafter (T.R. 96); then he and Patricia Bower drove to Club Trio. He further testified that he did not think he drank over six bottles of beer at Hunter's Lodge. (T.R. 105.)

Al Marler and Jessie Taylor were called as witnesses by the appellant. Al Marler, who operates Hunter's Lodge and is a good friend of appellant, testified that he was not under the influence upon leaving the lodge, but had been drinking during the evening. (T.R. 121-126.) Jessie Taylor testified that he was the bartender at Club Trio and did not believe appellant was intoxicated at Club Trio. (T.R. 111.)

Appellant moved for a judgment of acquittal which was denied (T.R. 137) and the case was submitted to the jury, which returned a verdict of guilty.

Appellant moved again for a judgment of acquittal, or in the alternative, an order granting defendant a new trial before judgment was passed, the same being denied by the trial court.

ARGUMENT.

Appellant assigns as error the denial by the trial court of his motion for a judgment of acquittal at the close of all the evidence. The ground for this motion was that there was not sufficient evidence to establish that the appellant was under the influence of intoxicating liquor while operating his vehicle.

The fact that appellant was operating his vehicle at the time and place charged is not disputed. There remains only the question of whether there was sufficient evidence upon which a jury could find that appellant was under the influence of intoxicating liquor within the meaning of the statute at the time he was operating the vehicle, which was a fact to be determined by the jury from all the circumstances of the case. (*People v. Ekstromer*, 71 Cal. App. 239, 235 Pac. 69, 72 (1925).)

It is correct that none of the witnesses for the appellee saw the appellant operating his vehicle, but the Territorial Police Officer arrived at the scene within ten minutes of the accident. Morris testified to appellant's physical condition at that time and later during the early morning. (T.R. 15, 16, 22, 23.) He had observed the appellant before this accident when appellant was absolutely sober and when he was in various degrees of intoxication. (T.R. 16, 22.) In the opinion of the officer, appellant was highly intoxicated. (T.R. 16.) The testimony of the other two government witnesses was summarized above.

The Supreme Court of Oregon, in the case of *State v. Rand*, 166 Ore. 396, 111 P. 2d 82 (1941) held, "Whether or not anyone is under the influence of intoxicating liquor may fairly be considered a matter of common knowledge and a question which a witness, who is not an expert, is competent to answer. His opinion is admissible if he first shows that he had opportunity to observe that person's condition." (See *Bauer v. People*, 103 Col. 449, 86 P. 2d 1088 (1939).)

The testimony of these three witnesses with the admission of appellant to Morris and Althouse that he had between ten and twelve beers during the evening (T.R. 17, 50), would support the conviction and it was reasonable for the jury to infer that in appellant's condition, his ability to operate the truck was impaired to an appreciable extent.

Appellant has cited the case of *People v. Dingle*, 56 Cal. App. 445, 205 Pac. 705 (1922). There the court used an objective test by taking the ordinarily prudent man as a standard, whereas the majority of the other jurisdictions have followed a subjective one.

"Under the influence of intoxicating liquor" are words in common use. They are not words of a technical nature and are well understood by the laity, who know they refer to the impaired condition of thought and action and the loss of the normal control of one's faculties to an appreciable degree, caused by drinking intoxicating liquor. However, various state courts have set forth different tests for evaluating when a person is under the influence of intoxicating liquor to a degree necessary to sustain a conviction. Thus, it was held, in *Hasten v. State*, 35 Ariz. 427, 280 P. 670 (1929), where the defendant was prosecuted under a similar statute, that the extent of the influence of liquor required to justify a conviction under the statute was any influence of intoxicating liquor, however slight.

The Supreme Court of Oregon in *State v. Noble*, 119 Ore. 674, 250 P. 833, 834 (1926), adopted the dictum in the case of *State v. Rodgers*, 91 N.J. Law

212, 102 A. 433 (1917): "It will be noticed that it is not essential to the existence of the statutory offense that the driver of the automobile should be so intoxicated that he cannot safely drive a car. The expression 'under the influence of intoxicating liquor' covers not only all the well-known and easily recognized conditions and degrees of intoxication, but any abnormal mental or physical condition which is the result of indulging in any degree of intoxicating liquors and which tends to deprive him of that clearness of intellect and control of himself which he would otherwise possess."

Rule 29(a) of the Federal Rules of Criminal Procedure (18 U.S.C.A.) states, "The court on motion of a defendant or of its own motion shall order the entry of judgment of acquittal of one or more offenses charged in the indictment or information after the evidence on either side is closed if the evidence is insufficient to sustain a conviction of such offense or offenses." The trial court ruled that the evidence was sufficient to support a conviction, since the motion was denied.

The following cases support the court's decision in that in each case, the evidence was held sufficient to affirm the conviction in the lower court. In the early case of *Commonwealth v. Lyseth*, 250 Mass. 555, 146 N.E. 18 (1925), where in addition to other evidence not set out, the accused was found at the scene of an automobile accident, one half hour after the happening thereof under the influence of intoxicating liquor. The conviction was sustained, the court merely say-

ing, "We accordingly assume the jury could find that the charges in the complaint had been proved." (See *State v. Steele*, 117 N.E. 2d 617 (Ohio, 1952).)

Evidence that the defendant's manner of walking was unsteady, his speech thick, face flushed, eyes red and his breath smelled of alcohol, together with the testimony of three witnesses that, in their opinion, he was under the influence of intoxicating liquor was held sufficient to sustain the conviction in *Bell v. State*, 122 N.E. 2d 466 (Ind. 1954).

Also, evidence that the accused was unsteady on his feet; that his breath smelled of alcohol; that he talked with a thick tongue, has been held sufficient to sustain a conviction for driving while under the influence of liquor. (*State v. Noble*, 119 Ore. 674, 250 P. 833; *State v. Ketter*, 121 Kan. 516, 247 Pac. 430 (1926).)

Appellant further contends that the circumstances are as consistent with his innocence as with his guilt, since appellant was in a state of shock. Neither the record nor the evidence shows that appellant was in shock. In fact, Sergeant Althouse, who was not a medical expert, but who had observed many cases of shock (T.R. 65-72), testified that no characteristics of shock were present until the intoxication had worn off. Then, appellant could possibly have been going into shock. (T.R. 67.)

The appellant has not taken an appeal from the judgment, but from a denial of a motion for judgment of acquittal. In the case of *Henderson v. United States*, 143 F. 2d 681, 682 (9th Cir. 1944), the court stated, "It is a familiar principle, which it is our duty

to apply, that an appellate court will indulge all reasonable presumptions in support of the rulings of a trial court and therefore that it will draw all inferences permissible from the record, and in determining whether evidence is sufficient to sustain a conviction, will consider the evidence most favorably to the prosecution.”

This court has also disposed of appellants’ final contention in the case of *Schino v. United States*, 209 F. 2d 67, 72 (9th Cir. 1954), wherein the court stated, “The theory upon which appellants rely, that in a circumstantial evidence case a conviction cannot be supported if the evidence is as consistent with innocence as with guilt, has been laid to rest in this Circuit by the Remmer case, at least where, as here, the question arises on a motion for a judgment of acquittal.”

CONCLUSION.

For the reasons set forth heretofore, appellee respectfully submits that the trial court did not err in denial of the motion for judgment of acquittal and the judgment of conviction should be affirmed.

Dated, Fairbanks, Alaska,
August 5, 1955.

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United States Attorney,

GEORGE M. YEAGER,
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Attorneys for Appellee.

No. 14,520

IN THE

United States Court of Appeals
For the Ninth Circuit

MARK MYERS,

Appellant,

VS.

UNITED STATES OF AMERICA,

Appellee.

BRIEF OF APPELLANT.

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FILED

JUL 14 1955

PAUL P. O'BRIEN, CLERK

Subject Index

	Page
Statement of pleadings and jurisdiction.....	1
Statement of the case.....	3
Specification of error.....	6
Argument	7

Table of Authorities Cited

Cases	Page
Haile's Curator v. Texas & P. R. Co., 60 Fed. 557.....	14
Lumbermen's Mutual Casualty Co. v. Brahan, 48 F. Supp. 141.....	14
Maynard v. Oregon R. Co., 72 Pac. 590.....	14
People v. Dingle, 205 Pac. 705.....	8
People v. Strauss, 22 N. Y. S. 2d 880.....	7
Provident Life & Accident Ins. Co. v. Campbell, 79 S. W. 2d 292.....	15
State v. Andrews, 142 Atl. 840	7
State v. Bowen, 39 S. E. 2d 740.....	8
State v. Carrol, 37 S. E. 2d 688.....	10
State v. Sisneros, 82 Pac. 2d 274.....	15

Statutes

Alaska Compiled Laws Annotated, 1949:	
Section 50-5-3	1
Section 69-2-1	1
Section 69-6-1	2
United States Code, Title 48, Section 101.....	2
U.S.C.A., Title 28:	
Section 1291	2
Section 1294(2)	3

No. 14,520

IN THE

**United States Court of Appeals
For the Ninth Circuit**

MARK MYERS,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

BRIEF OF APPELLANT.

STATEMENT OF PLEADINGS AND JURISDICTION.

A criminal complaint was filed against Appellant in the United States Commissioner's Court for the Fairbanks (Big Delta) Precinct, Fourth Division, Territory of Alaska, charging Appellant with the violation of Section 50-5-3 of Alaska Compiled Laws Annotated, 1949, said charged crime being that of Operating a Motor Vehicle While Under the Influence of Intoxicating Liquor.

Jurisdiction of said Court is provided by Section 69-2-1 of Alaska Compiled Laws Annotated, 1949, which said Section is, in part, as follows:

“69-2-1. Criminal Jurisdiction of Justices' Courts: That a Justice's Court has jurisdiction of the following crimes: * * *

Third. Of any misdemeanor punishable by imprisonment in the county jail, or by fine, or by both."

An appeal was taken to the District Court for the District of Alaska, Fourth Division, under the provisions of Section 69-6-1 of Alaska Compiled Laws Annotated, 1949, which said Section is, in part, as follows:

"69-6-1. Right to Appeal. That an appeal may be taken from a judgment of conviction given in a Justice's Court, in a criminal action, to the District Court * * *."

As used in said Section, the words "District Court" refer to the District Court for the District of Alaska, which said Court was established and is provided for by Title 48, Section 101, United States Code. Said Section is, in part, as follows:

"There is established a District Court for the District of Alaska, with the jurisdiction of District Courts of the United States and with general jurisdiction in civil, criminal, equity and admiralty causes; * * *"

The jurisdiction of this Court is provided by the provisions of Title 28, U.S.C.A., Section 1291, reading as follows:

"The Courts of Appeals shall have jurisdiction of appeals from all final decisions of the District Courts of the United States, the District Court for the Territory of Alaska, * * * except where a direct review may be had in the Supreme Court."

The decision here appealed from is a final decision, the same being a Judgment of Conviction in a criminal case.

The venue of this Court is established by Title 28, U.S.C.A., Section 1294 (2).

The complaint in this cause appears on pages 3 and 4 of the printed record.

STATEMENT OF THE CASE.

Upon trial in the District Court for the District of Alaska, Fourth Division, on the 10th day of June, 1954, Appellant was convicted and sentenced to serve a term of six months in the Federal Jail, to pay a fine in the amount of Four Hundred Dollars (\$400.00) and to have his driver's license revoked for a period of one year.

The record reflects that after work on the 27th day of March, 1954, Appellant went to that certain business establishment near Big Delta, Alaska, known and being operated as Hunter's Lodge for the purpose of assisting the owner set up a generator and put it into operation. He arrived there at approximately 5:30 P.M. Patricia Bowers, apparently his girl friend, arrived there at about 7:00 P.M. (Tr. 95). Appellant did considerable work on the generator during the course of the evening and, during the course of such work, drank several bottles of beer. The evidence is not clear as to the number of beers Appellant did consume at Hunter's Lodge since no accurate count was made.

Appellant and Patricia Bowers left Hunter's Lodge at approximately midnight and went to the Club Trio (Tr. 96). Patricia Bowers had been drinking considerably and it had a bad effect upon her (Tr. 98). They stayed at the Club Trio about one hour and Appellant had one beer (Tr. 97, 129). Patricia Bowers had two additional drinks (Tr. 129).

When they left the Club Trio at approximately 1:00 o'clock A.M. Patricia Bowers wanted to go to the Triangle Lodge. Her speech was "getting a little thick" and Appellant "realized it was too late to go any place in her condition" and decided that it was best to go home (Tr. 109). She threatened to jump out of the truck if he wouldn't take her where she wanted to go. Appellant "kind of laughed and said, well, go ahead." Patricia Bowers "opened the door and kind of half-rolled out. She didn't jump. She rolled." Appellant "don't think she had any intention of jumping out." He thinks it was an accident (Tr. 109).

Appellant stopped the truck as soon as he could, ran back to where she was and tried to pick her up. She was limp and he could not carry her so he ran back to the truck and got an army blanket and laid it over her. There was no traffic on the road and no sign of help so he got in the truck and guided it around her and parked so that the lights of the truck were shining on her (Tr. 109).

Appellant went immediately to the home and office of Gene Morris (Territorial Policeman) and requested his wife to summon an ambulance and to

notify Mr. Morris of the accident. He went back to the truck and stood by Patricia Bowers' body until help arrived. Mr. Morris was the first to arrive (Tr. 90). He arrived at 1:20 A.M. (Tr. 25).

When he arrived Appellant was kneeling by the body (Tr. 14) and was sobbing and weeping (Tr. 27). After a bit of conversation in which Mr. Morris offered his condolences (Tr. 91), Appellant was requested by Mr. Morris to drive his truck back down to the Territorial Police headquarters. This was done by Appellant (Tr. 37 et seq.). The actions of Appellant immediately subsequent to the accident were such as would have been taken by a reasonable and prudent person (Tr. 33).

According to the record Appellant was questioned rather extensively a short time after the accident. The first such questioning was done at the office of the Territorial Police at Big Delta. The parties later moved to the Army Base where questioning continued until about 7:00 o'clock in the morning.

During the course of the questioning at the Army Base and at approximately the hour of 3:30 A.M., a picture was taken of Appellant (Tr. 75). This picture was admitted in evidence upon trial as Government's Exhibit "A" (Tr. 86).

Appellant was brought into Fairbanks, Alaska, and confined in the Federal Jail. At the time of his confinement, Gene Morris was not "sure whether he would be charged with manslaughter or whether he would be charged with drunk driving" (Tr. 26).

A coroner's inquest was held and "the coroner's jury brought in a verdict of not guilty." Appellant was, therefore, charged with drunk driving.

Upon trial in the District Court for the District of Alaska, Fourth Division, and at the time of the resting of plaintiff's case, defendant moved the Court for a Judgment of Acquittal (Tr. 87), upon the grounds that there had been a total failure upon the part of the Government to prove the material allegations in the Complaint and that there was no showing that the defendant did in fact operate a motor vehicle while under the influence of intoxicating liquor.

At the time both parties rested, defendant did again move the Court for a Judgment of Acquittal (Tr. 134), said motion being based upon the same grounds.

After the return of the verdict of guilty by the Jury, defendant did again move the Court for a Judgment of Acquittal based upon the grounds that the verdict was contrary to the law and the evidence adduced upon trial. Said motion appears at page 5 of the printed transcript.

All of said motions were denied by the Court.

SPECIFICATION OF ERROR.

Appellant specifies as error that the Court below erred in denying appellant's motion for Judgment of Acquittal made at the close of all of the evidence.

ARGUMENT.

In order to sustain a conviction for operating a motor vehicle under the influence of intoxicating liquor under our statute, at least two things must be affirmatively established. They are: (1) that the person charged did in fact operate a motor vehicle on a public highway and (2) that the person charged was in fact under the influence of intoxicating liquor (within the legal meaning of said term) at the time of such operation.

In the case of *People v. Strauss*, a New York case reported in 22 N. Y. S. 2d at page 880, the Court stated:

“Strict construction of the penal statute in question must be had. *People v. Nelson*, 133 N.Y. 90, 94, 46 N. E. 1040, 60 Am. St. Rep. 592 * * * . Under the statute, intoxication and operation must be simultaneous or there is no crime.”

The fact that appellant was driving his truck is admitted and not in issue. However, it is denied that appellant was under the influence of intoxicating liquor at the time of its operation. There must of necessity be some connection between the intoxicating liquor and the motor vehicle.

In *State v. Andrews*, a Connecticut case reported in 142 Atl. at page 840, the Court stated:

“Under the provisions of our statute, this offense is established when the evidence shows that the driver of an automobile, by reason of having drunk intoxicating liquor, had become so affected in his mental, physical or nervous processes that

he lacked to an appreciable degree the ability to function properly in relation to the operation of the machine.” (Emphasis ours.)

The term “appreciable” is defined by the Court in the case of *State v. Bowen*, 39 S. E. 2d 740, as follows:

“Appreciable means large or material enough to be recognized or estimated; perceptible.”

The only testimony contained in the record relative to the operation of the motor vehicle in question comes from appellant himself. He stated that he was driving it. Other witnesses stated that he had admitted to them that he was its driver. The record is barren of any testimony as to the manner in which the vehicle was being operated. It follows, then, that any assumption that Appellant was “operating a motor vehicle while under the influence of intoxicating liquor” must be a conclusion arrived at after a consideration of other factors.

A determination of this matter depends upon the effect to be given to the words “operating a motor vehicle while under the influence of intoxicating liquor.” This set of words has been the subject of much judicial discussion. The grandfather of all of the cases dealing with the subject is the case of *People v. Dingle*, a California case reported in 205 Pac. at page 705.

In ascertaining just what degree or kind of influence comes within the purview of such statutes, the Court stated the following:

“It doubtless is true that not any and every influence produced by intoxicants will subject one to the penalties prescribed by the statute for this offense. As was said by the Wisconsin Supreme Court in *Bakalars v. Continental Casualty Company*, 141 Wis. 43, 122 N. W. 721, 25 L. R. A. (NS) 1241, 18 Ann. Cas. 1123; ‘The influence of intoxicants is a very elastic term.’ There the court was considering the meaning of the phrase ‘under the influence of any intoxicant’ as used in an accident insurance policy. Upon the question of the discernible effects of intoxicating liquor, the Wisconsin Court further said: ‘We are told by physicians and experimenters that the most trifling quantity of alcohol has some effect, and that its effect persists for days, if not permanently, so that one is literally under the influence from a single ordinary portion. We know as a matter of common knowledge that one of the first influences may be to stimulate those very faculties of observation and alertness which would improve the capacity of the subject to shield himself from danger, or escape, and that some such degree of influence of intoxicant would not in any respect increase the peril of injury.’ If, as stated by the learned author of the opinion in this Wisconsin case, the most trifling quantity of alcohol produces an influence that will persist for days, if not permanently, it is natural and almost necessary assumption that the words ‘under the influence of intoxicating liquor’ were not inserted in the Motor Vehicle Act for the purpose of fastening guilt in the case of every and any ‘influence’ due to the use of intoxicating liquors, however slight. The field, therefore, is open for construction to ascertain just what degree or

kind of 'influence' is within the purview of the statute.

We shall not assume to give any complete or all-inclusive definition of these words of the statute. We shall not undertake to express with precision the exact constituent ingredients of the word 'influence,' as employed in this act. However, with respect to the meaning of the phrase 'under the influence of intoxicating liquor,' as used in this statute, we think we are well within the bounds of accuracy in saying that if intoxicating liquor has so far affected the nervous system, brain or muscles of the driver of an automobile as to impair, to an appreciable degree, his ability to operate his car in the manner that an ordinarily prudent and cautious man, in the full possession of his faculties, using reasonable care, would operate or drive a similar vehicle under like conditions, then such driver is 'under the influence of intoxicating liquor' within the meaning of the statute."

And in the case of *State v. Carrol*, a North Carolina case reported in 37 S. E. 2d at page 688, the Court stated the following:

"The meaning of the phrase 'under the influence of liquor', is defined in Black's Law Dictionary, 3rd Edition, p. 1775, as follows: 'In statutes or ordinances relating to the operation of motor vehicles, it has been construed as equivalent to the words, "in an intoxicated condition," *State v. Dudley*, 159 La. 872, 106 So. 364, 365, and to the words "in a drunken or partly drunken condition", *Daniels v. State*, 155 Tenn. 549, 296 S. W. 20, 23, but not as synonymous with the words

“while intoxicated”, *Cannon v. State*, 91 Fla. 214, 107 So. 360, 362.’ The expression is said to cover not only all the well-known and easily recognized conditions and degrees of intoxication, but any abnormal mental or physical condition which is the result of indulging in any degree in intoxicating liquors and which tends to deprive the driver of that clearness of intellect and control of himself which he would otherwise possess. *Latimer v. Wilson*, 103 N. J. L. 159, 134 Atl. 750, 751. It is applicable to the condition created where intoxicating liquor has so far affected the nervous system, brain or muscles as to impair to an appreciable degree his ability to operate an automobile in a manner that an ordinarily prudent and cautious man in the full possession of his faculties, using reasonable care, would drive a similar vehicle under like conditions. *People v. Dingle*, 56 Cal. App. 445, 205 Pac. 705, 706; *People v. McKee*, 80 Cal. App. 200, 251 Pac. 675, 677.”

Perhaps it would be well to review briefly the testimony of the witnesses upon which the jury arrived at the conclusion that appellant was in fact “operating a motor vehicle while under the influence of intoxicating liquor”—the “other factors” as mentioned above.

Three witnesses were presented by the Government in support of its theory that appellant was “operating a motor vehicle while under the influence of intoxicating liquor.” They were Gene Morris, a member of the Alaska Territorial Police; Charles Althouse, a

military policeman, and Edwin English, an army photographer.

Gene Morris testified that he could detect that appellant had been drinking by his breath (Tr. 15); that "he had a tendency to stoop forward. His balance, although not extremely bad, was impaired" (Tr. 16); that appellant "seemed to go to sleep immediately when left alone for just a very short time, and in fact, faced with the fact that a friend of his had just been killed, it seemed a bit odd that he would want to go to sleep" (Tr. 18); he "based it due to the fact that the man was intoxicated" (Tr. 18); that based upon these observations he concluded that "at this time the man was highly intoxicated" (Tr. 16).

Charles Althouse testified that "at the scene of the accident Mr. Myers didn't, wasn't too steady on his feet and his speech was slightly incoherent and that's about it" (Tr. 50); "the man, Mr. Myers, that is, still seemed to be under the influence and also when woken up he would immediately drop back to sleep, fall back to sleep" (Tr. 50).

Edwin English testified that he didn't smell any liquor on appellant's breath (Tr. 76) but that he came to the conclusion that appellant was drunk because his walk "wasn't very stable, very slow" (Tr. 77) and because he would go to sleep.

Three witnesses were also offered on behalf of the defendant. They were Mark Myers, appellant; Al Marler, the owner of Hunter's Lodge, and Jess Tay-

lor, the bartender at the Club Trio, and the last man to see appellant prior to the accident.

Mark Myers, the appellant, testified that he was not under the influence of intoxicating liquor at the time that he left Club Trio (Tr. 105); that the accident happened five or six minutes later (Tr. 106); that he was emotionally upset; that Gene Morris knew that he was and offered him a sedative (Tr. 99); that his emotional disturbance continued on and at the time of the taking of the picture (Government's Exhibit "A") he was in a state of semi-stupor; and that the beer that he had consumed in no way affected his ability to drive or his reflexes (Tr. 103).

Al Marler testified that appellant was at his place of business from shortly after 5:00 o'clock P.M. until around midnight (Tr. 121-122); that appellant drank some beer while working on a generator for the witness and that in his opinion appellant was not under the influence of intoxicating liquor when he departed (Tr. 123).

Jess Taylor testified that appellant stayed at the Club Trio for approximately an hour and left at about 1:00 o'clock (Tr. 109); that appellant drank one beer while there and that he was not under the influence of intoxicating liquor at the time he left at 1:00 o'clock, just six minutes before the accident (Tr. 129).

Certainly there is no basic conflict between the testimony offered on behalf of the Government and the defendant. The facts are all the same, the only differ-

ence being in the conclusions drawn or inferred from the same set of facts.

It is the contention of the government that the actions of Appellant subsequent to the accident were caused by the intoxicating liquor consumed by appellant.

It is the contention of appellant that those actions, if in fact any peculiar actions did take place, were the result of shock and emotional disturbances caused by the death of a loved one and the manner in which the death occurred.

What is shock and what effect does it have on a person?

“Shock” is defined as an insult to the nervous system. *Lumbermen’s Mutual Casualty Co. v. Brahan*, 48 F. Supp. 141.

A “shock” is a sudden agitation of the body or mind. It may affect either body or mind. *Haile’s Curator v. Texas & P. R. Co.*, 60 Fed. 557.

In the case of *Maynard v. Oregon R. Co.*, 72 Pac. 590, the Court stated:

“ ‘Shock’ is defined by Charles L. Dana, M.D., as a sudden depression of the vital functions especially to the circulation, due to the nervous exhaustion following an injury or sudden violent emotion, resulting either in immediate death or in prolonged prostration, and is spoken of as being either corporeal or physical, relating, respectively, to the vital powers and the emotions of the mind.”

And in the case of *Provident Life & Accident Ins. Co. v. Campbell*, 79 S. W. 2d 292, the Court stated:

“A ‘shock’ is defined as a sudden agitation of the physical or mental sensibilities; * * *; a ‘mental shock’ is a sudden agitation of the mind; startling emotion, as the shock of a painful discovery, a shock of grief or joy; and in a medical or pathological sense, a ‘shock’ is a sudden depression of the vital forces of the entire body, or part of it, marking some profound impression produced upon the nervous system; * * *; a prostration of the bodily functions, as from sudden injury or mental disturbance.”

Obviously, under the circumstances, appellant was under the influence of a powerful emotional shock. To presume otherwise would be absurd. The circumstances upon which the witnesses for the Government relied as a basis for their conclusions are as consistent with the contention of appellant that he was under shock as they are with the conclusions of intoxication reached by the Government. Common sense and an understanding of human nature reveal to one that they are much more consistent with the contention of appellant.

The attention of the Court is respectfully directed to the case of *State v. Sisneros*, a New Mexico case reported in 82 Pac. 2d at page 274, wherein it is stated:

“The evidence in the case, in its effect, is not dissimilar from that before the Court in the case of *Chairez v. State*, 98 Tex. Cr. Rep. 433, 265 S.W. 905. *In the instant case, the only testimony upon*

which the witnesses claimed that the appellant was drunk comes from their conclusion from his acts subsequent to the collision and the injury which he received. All of the circumstances upon which the unfavorable conclusion was reached by the state's witnesses are quite as consistent with his innocence as with the guilt of the appellant; that is, all his acts harmonize with his theory that his confused, staggering and helpless condition was due to the injury rather than to intoxication. The testimony was direct that there was no whiskey about the car. But one of the witnesses claimed to have noticed the odor of whiskey. On that subject, it was said by the Court in the *Chairez* case as follows:

“ ‘So explained the only testimony left to the State is that the smell of liquor was upon appellant's breath. This is denied by appellant and his witnesses, but conceding the testimony of the state's witnesses to be true in this respect we are not willing to say that under the facts of the case it shows appellant to have been driving an automobile at a time when he was drunk or to any degree intoxicated.’

“The main fact upon which the culpability of the appellant depends is his intoxication. The opinion of the state's witnesses upon that subject rests alone upon the accuracy of the inference they drew from the facts which they related touching the conduct of the accused after he was injured. The facts, so related, as stated above, are inconclusive, especially when tested by the law pertaining to circumstantial evidence. The evidence as a whole leaves this Court in such doubt touching its sufficiency to support the ver-

dict that it does not feel warranted in sustaining the conviction.”

The death of Patricia Bowers was indeed regrettable. However, the coroner's jury found that it was accidental. It is regrettable also that the law enforcement officer, under such circumstances and at such a time, should devote his time and mind in deep meditation as to whether to charge appellant with manslaughter or drunk driving. It was not a time for such abnormal contemplation. It was a time for prayer.

It is respectfully submitted that the judgment of the trial Court should be reversed and appellant discharged.

Dated, Fairbanks, Alaska,
July 6, 1955.

GEORGE B. MCNABB, JR.,
Attorney for Appellant.

No. 14564.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SEARS, ROEBUCK & Co., a Corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD.; METROPOLITAN MAT
SERVICE, INC.; GREGORY F. DUFFY, AUBREY A. DUFFY,
ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

BRIEF FOR APPELLEE, FRANK R. BLADE.

FILED

JUL - 6 1957

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TOPICAL INDEX

	PAGE
I.	
Jurisdictional statement	1
II.	
Statement of the case relating to appellee, Frank R. Blade.....	2
III.	
Statutory provisions and rules involved.....	6
A. Statutes	6
B. Rules	7
IV.	
Questions presented	7
V.	
Summary of argument.....	8
Argument	10
A. Under long-settled principles of California law, appellant, by its prior suit and attachment in the State court against appellee, Frank R. Blade, made a decisive election of the contractual remedy against him and was estopped and precluded from proceeding against this appellee with its federal tort action for fraud based upon the same alleged transactions	12
The doctrine of election of remedies.....	14
The Supreme Court of California in <i>Steiner v. Rowley</i> has held that under California law, appellant has decisively elected its contractual remedy and may not proceed with its inconsistent tort actions.....	16
Other California decisions are fully in accord with <i>Steiner v. Rowley</i>	20

B. The alleged wrongful conduct of this appellee was indivisible and gave rise to a single cause of action for which appellant had alternative and inconsistent contractual and delictual remedies between which it was required to choose.....	24
---	----

Conclusion	32
------------------	----

Appendix :

Portion of opinion of Honorable Peirson M. Hall, United States District Judge, granting motion for summary judgment of appellee, Frank R. Blade.....	App. p. 1
--	-----------

TABLE OF AUTHORITIES CITED

CASES	PAGE
Acme Paper Co. v. Goffstein, 125 Cal. App. 2d 175.....	30
Barnsdall, et al. v. O'Day, 13 Fed. 828.....	13
Callinan v. Federal Cash Register Co., et al., 3 F. R. D. 177.....	13
City of Findlay v. Pertz, et al., 66 Fed. 427.....	13
Dawson v. Baum, 19 Pac. 46.....	30, 31
De Laval Pac. Co. v. United C. & D. Co., 65 Cal. App. 584.....	14
Eistrat v. Brush Industrial Lumber Company, 124 Cal. App. 2d 42	22
Equitable Trust Co. v. Connecticut Brass & Mfg. Corp., 290 Fed. 712	15
Erie R. Co. v. Tompkins, 304 U. S. 64.....	10
Estrada v. Alvarez, 38 Cal. 2d 386.....	21
Evans v. Horton, 115 Cal. App. 2d 281.....	26
Glaspi v. Keator et al., 56 Fed. 203.....	13
Guaranty Trust Co. v. York, 326 U. S. 99.....	10
Hallidie v. Enginger, 175 Cal. 505.....	11, 17, 20
Jones v. Kelly, 208 Cal. 251.....	27
Jones v. Martin, 41 Cal. 2d 23.....	22
Kuntz v. Tonnele, 80 N. J. Eq. 373, 84 Atl. 624.....	13
Mayor of Salford v. Lever (Eng.), 1 Q. B. 168.....	13
McCaffrey v. Wiley, 103 Cal. App. 2d 621.....	31
McCall v. Superior Court, 1 Cal. 2d 527.....	17, 22
Oil Well Core Drilling Company v. Barnhart, 20 Cal. App. 2d 677	17
Peterson v. Sherman, 68 Cal. App. 2d 706.....	28
Philpott v. Superior Court, 1 Cal. 2d 512.....	22, 28
Powers v. Freeland, 114 Cal. App. 146.....	17
Schulze v. Schulze, 121 Cal. App. 2d 75.....	22
Steiner v. Rowley, 35 Cal. 2d 713, 221 Pac. 29.....	8, 17, 19, 20, 30

Steiner v. Thomas, 94 Cal. App. 2d 655, 211 P. 2d 321.....	22
Stowe v. Matson, 94 Cal. App. 2d 678.....	17
Tarnowski v. Resop, 236 Minn. 33, 51 N. W. 2d 801.....	12
Wulfjen v. Dalton, 24 Cal. 2d 891.....	25

STATUTES

Civil Code, Sec. 3294	6, 30
Code of Civil Procedure, Sec. 527.....	17
Code of Civil Procedure, Sec. 537.....	6
Code of Civil Procedure, Sec. 537(1).....	7, 10, 13, 16, 29
Federal Rules of Civil Procedure, Rule 56(b).....	1, 7
United States Code, Title 28, Sec. 1291.....	1
United States Code, Title 28, Sec. 1332.....	1

TEXTBOOKS

69 American Law Reports, pp. 655, 657-658.....	30
1 California Jurisprudence 2d, pp. 699-700.....	27
2 California Jurisprudence 2d, p. 638.....	17
1 Corpus Juris Secundum, Sec. 47, p. 1104.....	27
1 Corpus Juris Secundum, Secs. 49, 50(f), pp. 1128, 1145.....	29
2 Restatement of Law of Agency, Sec. 407(2).....	12

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ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

BRIEF FOR APPELLEE, FRANK R. BLADE.

I.

Jurisdictional Statement.

The District Court had jurisdiction of appellant's fraud action seeking both alleged compensatory and exemplary or punitive damages against this appellee, Frank R. Blade, and others [R. 3-28, particularly R. 16] pursuant to 28 U. S. C. 1332—diversity of citizenship.

The District Court had jurisdiction to hear and grant the motion of appellee, Frank R. Blade, for summary judgment in accordance with Rule 56(b) of the Federal Rules of Civil Procedure.

Under 28 U. S. C. 1291, this Court has authority to review the judgment of the District Court.

II.

Statement of the Case Relating to Appellee, Frank R. Blade.

There is no dispute as to the facts giving rise to the instant controversy, appellant having filed no counter-affidavit to that filed in support of Frank R. Blade's motion for summary judgment.

On December 10, 1951—prior to the filing of its amended complaint on August 21, 1953 in the District Court [R. 28] and prior to its original complaint filed May 2, 1952 [R. 61]—the appellant, Sears, Roebuck & Co., filed a complaint designated "Complaint (For Money Had and Received)" in the Superior Court of the State of California, against this appellee, Frank R. Blade. [R. 38-39.] By virtue of that Superior Court action, Sears, Roebuck & Co., sought to recover from Frank R. Blade¹ the sum of \$75,000.00 for *moneys allegedly received by him before December 1, 1951, for the use of Sears, Roebuck & Co.*

At the same time the summons was issued in the Superior Court action on December 10, 1951, Sears, Roebuck & Co. also filed therein an Affidavit for Attachment Against Resident. [R. 40-41.] This Affidavit for Attachment Against Resident was prepared and sworn to by Russell G. Curry, the Assistant Secretary of Sears, Roebuck & Co., and declared that the defendants in the Superior Court action were indebted to Sears, Roebuck & Co. in the sum of \$75,000.00 together with interest thereon at the

¹Nella Blade, a sister of appellee, Frank R. Blade, was also named as a defendant in the Superior Court action. [R. 38.] She is not named in the Federal action and is therefore disregarded here in references to the Superior Court action.

rate of 6% per annum from December 1, 1951, upon *an implied contract for the direct payment of money*, that the defendant Frank R. Blade, was indebted to Sears, Roebuck & Co. in said sum for moneys had and received for its use and benefit, that such *contract* was made or is payable in California, and that the payment of said *contract* was without security. [R. 40-41.]

Together with the Complaint and Affidavit for Attachment in the Superior Court action, Sears, Roebuck & Co. also filed a Statement to Clerk on Attachment. [R. 41-42.] The Statement to Clerk on Attachment was prepared and executed by the attorney for Sears, Roebuck & Co. and stated, among other things, that it had commenced, or was about to commence, an action in the Superior Court of the County of Los Angeles, against Frank R. Blade, upon an implied *contract* for the direct payment of money and claiming that there was due it from said defendant the sum of \$75,000.00.

Pursuant to the foregoing Complaint, Affidavit for Attachment and Statement, Sears, Roebuck & Co. caused a Writ of Attachment to be issued in the Superior Court Action [R. 43-44] and then caused said Attachment to be levied upon substantial personal property belonging to this appellee, Frank R. Blade. [R. 64, 91.]

Thereafter, pursuant to a demand for a Bill of Particulars made by Frank R. Blade in said Superior Court action, Sears, Roebuck & Co. filed a verified Bill of Particulars. [R. 45-46.] *The Bill of Particulars filed by Sears, Roebuck & Co. and sworn to by its Assistant Secretary, disclosed that the Superior Court action sought certain alleged "secret profits" obtained by Frank R. Blade and arose from and was based upon the same*

reported in 123 Fed. Supp. 136, and, for convenience, the portion thereof relating to the summary judgment motion of Frank R. Blade is set forth in the Appendix to this brief.

III.

Statutory Provisions and Rules Involved.

A. Statutes.

Section 537, California Code of Civil Procedure:

"[When and actions in which attachment may issue.] The plaintiff, at the time of issuing the summons, or at any time afterward, may have the property of the defendant attached, as security for the satisfaction of any judgment that may be recovered, unless the defendant gives security to pay such judgment, as in this chapter provided, in the following cases:

"1. [*Unsecured claims on contract.*] *In an action upon a contract, express or implied, for the direct payment of money, where the contract is made or is payable in this State, and is not secured by any mortgage, deed of trust or lien upon real or personal property, or any pledge of personal property. . . .*"
(Emphasis supplied.)

Section 3294, California Civil Code:

"*Exemplary damages, in what cases allowed. In an action for the breach of an obligation not arising from contract, where the defendant has been guilty of oppression, fraud, or malice, express or implied, the plaintiff, in addition to the actual damages, may recover damages for the sake of example and by way of punishing the defendant.*" (Emphasis supplied.)

B. Rules.

Rule 56(b), Federal Rules of Civil Procedure:

“For Defending Party. A party against whom a claim, counterclaim, or cross-claim is asserted or a declaratory judgment is sought may, at any time, move with or without supporting affidavits for a summary judgment in his favor as to all or any part thereof.”

IV.

Questions Presented.

Did the District Court properly grant the motion for summary judgment of the appellee, Frank R. Blade?

May a plaintiff-employer first sue a defendant-employee (Frank R. Blade) in contract in the State Court for alleged “secret profits” [R. 45] and obtain and levy an attachment against his property, such attachment being available *only* in “an action upon a contract” [Code Civ. Proc., Sec. 537(1)], and then sue this same defendant in *fraud* in the Federal Court for alleged compensatory and exemplary damages arising out of precisely the same alleged “secret profits” [R. 9, 11, 12] transactions?

V.

Summary of Argument.

- A. Under Long-settled Principles of California Law, Appellant, by Its Prior Suit and Attachment in the State Court Against Appellee, Frank R. Blade, Made a Decisive Election of the Contractual Remedy Against Him and Was Estopped and Precluded From Proceeding Against This Appellee With Its Federal Tort Action for Fraud Based Upon the Same Alleged Transactions.

The California Supreme Court in *Steiner v. Rowley* (1950), 35 Cal. 2d 713, 221 P. 29, has squarely held that under California law, the appellant by suing this appellee in the State court in a contractual action and obtaining and levying an attachment decisively and finally elected its contractual remedy and is barred from proceeding with its inconsistent tort action which it filed in the Federal Court against this appellee based upon the same transaction. Appellant's Federal tort case is based upon diversity of citizenship and hence the California law is controlling.

Appellant has cited no California decisions supporting its position that it may thus sue an employee twice based upon the same transaction, and cases from other jurisdictions are neither controlling nor applicable. No decision cited or relied upon by appellant deals with an attachment situation such as that existing in the instant case, which is of supreme importance in establishing the finality and decisiveness of appellant's choice of its contractual remedy.

The inconsistency of the two actions is not only established by repeated decisions of the courts of California, but also by the vital differences in the actions themselves. Under California law, an attachment may only be obtained in a contractual action, whereas exemplary damages may be obtained under California statute only in an action not upon contract. In its State Court action this appellant obtained an attachment; in its Federal action it seeks exemplary damages.

B. The Alleged Wrongful Conduct of This Appellee Was Indivisible and Gave Rise to a Single Cause of Action for Which Appellant Had Alternative and Inconsistent Contractual and Delictual Remedies Between Which It Was Required to Choose.

It is admitted, and the District Court below so found, that both appellant's prior State court action and its later Federal court action are based upon precisely the same transactions. The alleged disloyalty of this appellee toward appellant constitutes but a single wrong, for which, however, appellant had several alternative remedies available. It chose the contractual remedy. By electing to sue *ex contractu* in the State court, plaintiff waived the alleged tort by this appellee. Appellant cannot waive half a tort by suing in contract and then sue in another case for the other half of the tort. The different measures of damages available in the two types of action do not establish these actions, as appellant urges, as separate and concurrent, but rather serve to emphasize their fundamental and irreconcilable inconsistency.

ARGUMENT.

Whether inadvertently or by design appellant has throughout its opening brief totally ignored the one vital and all-important fact which sets the case of this appellee—Frank R. Blade—apart from the rest and which represents the fundamental factor upon which the District Court rested its granting of Blade's separate motion for summary judgment.

Nowhere in its entire brief does appellant give any weight or consideration to the *attachment* against this appellee which it obtained in its Superior Court action, pursuant to Code of Civil Procedure, Section 537(1) and which it caused to be levied against substantial property of this appellee. Not one of the cases or authorities cited or quoted from by appellant deals with an attachment or is concerned with the effect of an attachment under California law³ in a case such as that at bar. Yet it is the attachment—and the decisive election of the contractual remedy which, under California law, obtaining an attachment has always meant—that the District Court properly based its summary judgment in favor of appellee, Frank R. Blade.

³It is settled that in Federal diversity suits such as the instant case, ". . . the law to be applied in any case is the law of the State . . . whether the law of the State shall be declared by its Legislature in a statute or by its highest court in a decision. . . ." Brandeis, J., in *Erie R. Co. v. Tompkins*, 304 U. S. 64, 78. The Supreme Court said, in *Guaranty Trust Co. v. York*, 326 U. S. 99, 109-110, in referring to the *Erie* case, "In essence, the intent of that decision was to insure that, in all cases where a Federal court is exercising jurisdiction solely because of the diversity of citizenship of the parties, the outcome of the litigation in the Federal court should be substantially the same, so far as legal rules determine the outcome of a litigation, as it would be if tried in a State court. The nub of the policy that underlies *Erie R. Co. v. Tompkins*, is that for the same transaction the accident of a suit by a non-resident litigant in a Federal court instead of in a

Understandably, perhaps, appellant has thus sought to blur the basic distinctions existing between appellee, Frank R. Blade, and the other appellees. It thus becomes doubly important to underline these differences.

The appellant, Frank R. Blade, filed a separate motion for summary judgment [R. 59-65], distinct from any of the motions filed by the other defendants. The trial court made separate findings of fact and conclusions of law as to the appellee, Blade [R. 87-93], and gave a summary judgment for Blade [R. 94-95] wholly separate from its judgment of dismissal as to Blade's co-defendants. Whatever may be the rights and positions of the other appellees, it must be emphasized, in the interests of achieving clarity and avoiding confusion, that the Motion of Frank R. Blade for Summary Judgment was based and granted upon the final and irrevocable prior election by Sears, Roebuck & Co. of a contractual remedy against *him*. This stems, as hereinafter set forth and as explained in the exhaustive and well-reasoned opinion of

State court a block away should not lead to a substantially different result."

And it is plain that at least as to this appellee, appellant's rights are necessarily defined and limited by the California attachment law. As the Court, in *Hallidie v. Enginger* (1917), 175 Cal. 505, one of the leading cases in California on the law of attachment, stated, at page 506:

"The first of these general observations is that the writ of attachment as now employed was unknown to the common law, is a creature of legislative enactment, and has the scope, and only the scope, which the legislature has chosen to accord to it. In some states an attachment may issue in all cases, in some states it may be issued in actions *ex delicto*, in some states it may be issued against the property of the perpetrator of fraud, but in every state the limit of the right to the writ is found in the language of the statutes itself. Therefore, adjudications of sister states are valueless in a consideration of the question unless it be shown that their statutes are in terms substantially identical with our own."

the District Court, from the institution by this appellant against *this* appellee of an action in the State court upon an implied contract for money had and received, based upon the same alleged transactions which form the foundation of its Federal fraud action, followed by an attachment in that contractual action of substantial personal property of *this* appellee.

A. Under Long-settled Principles of California Law, Appellant, by Its Prior Suit and Attachment in the State Court Against Appellee, Frank R. Blade, Made a Decisive Election of the Contractual Remedy Against Him and Was Estopped and Precluded From Proceeding Against This Appellee With Its Federal Tort Action for Fraud Based Upon the Same Alleged Transactions.

Appellant earnestly urges that it may properly sue Blade for accepting secret profits and also sue Blade and others for alleged damages suffered as a result of the agreement pursuant to which the secret profits were obtained. But it is compelled to concede that it has found no California decisions supporting its position.⁴ (App. Br.

⁴Even in the non-California authorities upon which appellant principally relies (App. Br. 11-23) for its contention that it may thus sue the agent or employee twice, there is strong language to the contrary. Thus both the Section and the comment pertaining thereto of the Restatement of the Law of Agency quoted by appellant (App. Br. 11) expressly declare only that a principal may recover damages from a "third party" because of an agent's violation of his duty of loyalty, and may recover from the agent "any profit which the agent improperly received as a result of the transaction" (Restatement of the Law, *Agency*, Vol. II, Sec. 407(2)). *Tarnowski v. Resop*, 236 Minn. 33, 51 N. W. 2d 801 (App. Br. 13-14), similarly declares only that a principal "may recover profits made by the agent" (p. 804) apart from his recovery against the persons with whom the agent dealt. It does not authorize two actions against the agent. Here appellant has already sued in the State Court to recover the alleged "profits made by the agent." *Kuntz v.*

9-10.) California cases are cited permitting suit against the agent and other cases are referred to as authorizing suit against third parties allegedly conspiring with the agent. (App. Br. 10.) Significantly, none authorize both suits against the agent, yet this is precisely what appellant sought to do here.

Even more significantly, in none of these cases cited by appellant—or in any others in its brief—was there a prior attachment involved under a statute such as that in California expressly limiting its use to actions “upon a contract, express or implied, for the direct payment of money.” Code of Civil Procedure, Section 537(1). Appellant has thus failed to meet or come to grips with the

Tonnele, 80 N. J. Eq. 373, 84 Atl. 624 (App. Br. 15-16) is the same. Even the appellant claims no more for this case than the ruling that under New Jersey law a principal may recover an illegal commission obtained by his agent, and then may sue the third party for the recovery of any additional damage. (App. Br. 15-16.) In the English case of *Mayor of Salford v. Lever*, 1 Q. B. 168 (App. Br. 16-19), the discussion deals only with whether a principal is required to sue the agent or the third party first, and the language throughout indicates that there was no contention that the agent could be sued twice. Thus, Lopes, L. J., states that the right against the agent “is to recover the secret bribe which he has received” whereas the right against the third party “is to recover the excess of price which he obtained” through the agent’s fraud. *Barnsdall, et al. v. O’Day*, 13 Fed. 828 (C. A. 3, 1905) (App. Br. 19-21) again says no more, at most, than that the agent and the third party may be separately sued; it does not suggest that the agent may be sued twice. To the same effect is *Glaspi v. Keator et al.*, 56 Fed. 203 (C. A. 8, 1893) (App. Br. 21-22). And the Court in *City of Findlay v. Pertz, et al.*, 66 Fed. 427 (C. A. 6, 1895) (App. Br. 22-33) again appears to emphasize the single action available against the agent, for it holds only as appellant concedes (App. Br. 23) that a principal may “hold the agent liable for the wrongful commissions received and also sue the seller for damages for fraud.” *Callinan v. Federal Cash Register Co., et al.*, (W. D. Md., 1942), 3 F. R. D. 177, is merely a pleading case and holds only that, as in California, a plaintiff may plead inconsistent counts. But ultimately he is required to choose between them and select a theory of recovery before judgment.

real ground upon which the District Court held Sears, Roebuck & Co. had, by its earlier Superior Court action, finally elected its contractual remedy against this appellee.

The Doctrine of Election of Remedies.

The doctrine or rule generally called "election of remedies" has been variously stated by various courts which have had occasion to consider its application and effect. Whatever language has been employed by a particular court in defining this basic principle of law, there is complete unanimity with respect to the elements which must be present before this principle comes into play. All of these elements upon which a binding election of remedies depends were, as the District Court found, present in the instant case.

The rule is succinctly stated by Judge Hall in his opinion below [R. 72]:

"It is, however, also a settled proposition of law that where a person has two inconsistent remedies and pursues one, and by it gains an advantage over the other party, or causes him damage, then an election is deemed to have been made which operates as an equitable estoppel from pursuing another and different remedy. It is this doctrine upon which the defendants rely.

"There are two necessary elements to this rule. (1) the remedies must be inconsistent, and (2) their first remedy pursued must result in disadvantage, damage, or detriment to the other party."

In *De Laval Pac. Co. v. United C. & D. Co.* (1924), 65 Cal. App. 584, 586, the Court declared:

"The rule might therefore be stated as follows: Whenever a party entitled to enforce two remedies either institutes an action upon one of such remedies

or performs any act in the pursuit of such remedy, whereby he has gained any advantage over the other party, or he has occasioned the other party any damage, he will be held to have made an election of such remedy, and will not be entitled to pursue any other remedy for the enforcement of his right."

In *Equitable Trust Co. v. Connecticut Brass & Mfg. Corp.*, 290 Fed. 712 (C. A. 2d, 1923), the Court not only states the election of remedies rule and the factors which bring it into operation, but in language particularly pertinent here gives some of the historical background and the considerations which gave rise to the rule (pp. 724-725):

"At common law the party wronged by an unlawful conversion of his personal property had at his command the three remedies of trover, trespass, and replevin. In the course of time he acquired an additional remedy, that of assumpsit. The law permitted the injured party to waive the tort, treat the wrongdoer as his agent, and upon the latter's sale of the property regard the sale as having been made for the owner's benefit, and the receipt of the consideration as held in trust for the owner; and if, instead of selling the property, the wrongdoer so used it that it could not be reclaimed, he could be sued for its value in an action for goods sold and delivered. The theory of the remedy of assumpsit was rested upon a transfer of title to the converted property from the owner to the wrongdoer or his vendees. It was the direct opposite of the theory upon which rested the remedies of trespass, trover, and replevin; the theory of all three being that title continued in the injured party. *The remedy of assumpsit was therefore the alternative of the other three, and a resort to it was a bar to any recourse to either of the other three, and vice versa. . . .*

"It is evident that the United States could proceed upon the theory of ownership of the copper in itself and sue for the recovery of it, or of the proceeds realized from its unlawful conversion, or waiving ownership of the copper, it might sue as a creditor to recover the debt due because of the unlawful conversion. The two methods of redress are based on inconsistent theories. *The general rule is that in all such cases, when the choice is once actually made between inconsistent theories and remedies, it operates as a bar, and the suitor will not be allowed to invoke the aid of the court upon contradictory principles of redress upon one and the same line of acts. A party cannot occupy inconsistent positions in the same matter.*" (Emphasis supplied.)

The Supreme Court of California in *Steiner v. Rowley* has Held That Under California Law, Appellant Has Decisively Elected Its Contractual Remedy and May Not Proceed With Its Inconsistent Tort Actions.

The application of the doctrine of election of remedies to the case at bar therefore depends upon (1) whether the contractual remedy sought by the appellant in its Superior Court action is inconsistent with the tort remedy it seeks here, based as the two actions are upon the same transactions, and (2) whether the issuance and levy of the writ of attachment by appellant in the Superior Court action constitutes the decisive choice of action which the application of the doctrine requires.⁵

⁵The California Code of Civil Procedure, Section 537(1) provides, insofar as pertinent here, that the plaintiff may have the property of the defendant attached "in an action upon a contract, express or implied, for the direct payment of money. . . ." The California cases have uniformly construed this statute in accordance with its express terms as permitting an attachment *only* where the action is one based on contract and denying it both in actions

The mere statement of the completely antithetical nature of the two actions and that attachment proceedings were instituted by appellant in its pending State court suit and levied upon property of this appellee would appear to answer both of these issues in the affirmative. However, it is not necessary to rely entirely upon logic and theory, however persuasive, to determine the wholly inconsistent nature of the two actions and the decisive character of the election demonstrated by the attachment proceedings, for the courts have had occasion to pass upon these questions and have answered them in accordance with the position taken here by the appellee, Frank R. Blade.

Squarely in point, and establishing both the inconsistent character of a contractual action for money had and received and a tort action for fraud, and the estoppel created by the issuance and levy of a writ of attachment in the action based upon contract, is *Steiner v. Rowley* (1950), 35 Cal. 2d 713, 221 P. 2d 9. There, the defendant, a real estate broker, represented plaintiffs in connection with their purchase of certain real estate. Under a pleading consisting of four counts, plaintiffs sued him to recover the amount of his commission, an alleged secret profit, and exemplary damages. *One count seeking to recover*

ex delicto and in actions where equitable relief as such is sought. *Stowe v. Matson*, 94 Cal. App. 2d 678; *Oil Well Core Drilling Company v. Barnhart*, 20 Cal. App. 2d 677; *McCall v. Superior Court*, 1 Cal. 2d 527; *Powers v. Freeland*, 114 Cal. App. 146; *Hallidie v. Enginger*, 175 Cal. 505; 2 Cal. Jur. 2d 638.

The District Court, moreover, aptly pointed out that the availability of attachment under California law only in contractual actions is additional evidence of the inconsistency between such actions and tort actions [R. 72-73]: "A writ of attachment will issue under California C. C. P. 527, in an action *ex contractu*, but not one *ex delicto*, which alone is a sufficient mark of inconsistency."

the secret profits paid to the defendant was for money had and received, and another count relating to said secret profits was for fraud and asking exemplary damages. The plaintiffs had obtained a writ of attachment. The California Supreme Court stated (p. 720):

“Concerning the effect of the writ of attachment obtained by the Steiners, the doctrine of election of remedy is based upon the principle of estoppel. ‘Whenever a party entitled to enforce two remedies either institutes an action upon one of such remedies or performs any act in pursuit of such remedy whereby he has gained any advantage over the other party, . . . he will be held to have made an election of such remedy and will not be entitled to pursue any other remedy for the enforcement of his right.’ (*DeLaval Pacific Co. v. United C. & D. Co.*, 65 Cal. App. 584, 586; 224 Pac. 766). The doctrine is well established (*Ravizza v. Budd & Queen, Inc.*, 19 Cal. 2d 289, 293; [120 Pac. 2d 865]; *Holt Mfg. Co. v. Ewing*, 109 Cal. 353, 356; [42 Pac. 435]; *Parke, etc. Co. v. White River L. Co.*, 101 Cal. 37, 41; [35 Pac. 442]; *Smith v. Miller*, 5 Cal. App. 2d 564, 570; [43 Pac. 2d 347].)

“*An action for tort in which exemplary damages are sought is inconsistent with one for money had and received (Civil Code, Section 3294).* The Steiners were therefore required to make a timely election of remedies. Pleading the two causes of action in the alternative did not constitute an election, because inconsistent counts are permissible . . . and an election cannot be enforced by demurrer. . . . *But the Steiners also obtained an attachment. This was a positive act of a plaintiff ‘in pursuit of . . . (the contractual remedy) . . . whereby he has gained . . . advantage over the other party . . .’ (De Laval Pacific Co. v. United C. & D.*

Co., 65 Cal. App. 584, 586; 224 Pac. 766.) *The Steiners were therefore estopped to allege a cause of action in tort and the demurrer as to the fourth count was properly sustained.*" (Emphasis supplied.)

Appellant seeks to distinguish the *Rowley* case, and asserts that the District Court's reliance upon this decision is "misplaced" because, appellant says, the plaintiff there was seeking to recover from his agent the "same monetary damages" both in the first three money had and received counts upon which an attachment issued, and in the fourth count in tort for fraud. (App. Br. 33.) If this were truly the ground of the *Rowley* decision it is certainly strange that the Supreme Court of California did not see fit to mention it, but instead stressed only the plainly inconsistent character of the contract and tort counts and placed its holding squarely upon this inconsistent character and the plaintiff's positive election of his contractual remedy by obtaining an attachment.

Furthermore, at an earlier point in its brief (App. Br. 28) appellant urges that the "separate and distinct character" of its two actions is demonstrated "by the fact that Appellant has a right to the recovery of exemplary damages" in its Federal action which it seeks [R. 16] and which it did not have in its State court contractual action. Yet in the *Rowley* case the tort count which the Supreme Court held the plaintiff there precluded from pursuing as "inconsistent" rather than "separate and distinct" was one—just as appellant's action here—which sought exemplary damages, and expressly declared (*Steiner v. Rowley, supra*, at 720) that "An action for tort in which exemplary damages are sought is inconsistent with one for money had and received."

Appellant, with respect to the *Rowley* case, which this appellee deems controlling and decisive, has:

(a) Misstated its facts in attempting to distinguish it by asserting that the tort count seeking exemplary damages sought the "same monetary damages" as the contract counts;

(b) Itself demonstrated that since it may seek—and does seek—exemplary damages in its Federal fraud action, this latter action, under the *Rowley* decision, is indelibly stamped as "inconsistent with", rather than "separate and distinct" from, its prior contract action in the State court.

And by obtaining and levying an attachment as it did in the prior contract action against this appellee, appellant, just as did the plaintiff in the *Rowley* case, finally and conclusively elected the contractual remedy and is estopped, as the District Court below held, to proceed with its inconsistent Federal tort action against this appellee.

Other California Decisions Are Fully in Accord With *Steiner v. Rowley*.

Both before and since the *Rowley* case, the Supreme Court of California has emphasized the basic substantive inconsistency between an action *ex contractu* such as that instituted by appellant against this appellee in the Superior Court, and an action *ex delicto* such as that which appellant has instituted and seeks to maintain against this appellee in District Court, both actions depending upon and arising from precisely the same alleged transactions.

Thus, in *Hallidie v. Enginger* (1917), 175 Cal. 505, 508, in language having striking application to the case at bar, the Supreme Court defined the fundamental dis-

tion between, and the mutually exclusive character of, contractual and tort actions:

“Or again, if B. in the employ of A. misappropriates his money or property, while A could sue ex delicto for the wrong, he could, on the other hand, waive the tort and sue, again depending upon the nature of the property converted, either for the value of the goods sold and delivered or for money had and received. . . .

“Nevertheless, while in these limited kinds of cases, the suitor might do either, he could not do both. He had to elect his remedy and stand upon his election. If he waived the tort and sued in contract, his writ and declaration charged upon contract only. If he waived his contract and sued in tort, the writ and declaration charged in tort only. Next, let it be remarked that the common law distinctions between actions ex contractu and actions ex delicto have not been changed by the permission to file rambling pleadings containing averments pertaining to both classes of actions and even averments addressed to equity alone. And, finally, let it be remarked that our statute and statutes like ours, grant a writ of attachment only in cases ex contractu, and therefore deny it both in actions ex delicto and in actions where equitable relief as such is sought.” (Emphasis supplied.)

And in *Estrada v. Alvarez* (1952), 38 Cal. 2d 386, 391:

“As previously stated, plaintiffs pray, in the alternative, for damages for fraud. Their original complaint attempted to state a cause of action for damages for breach of contract. (This attempt has been abandoned.) In pursuit of this contract remedy plaintiffs obtained an attachment. They are, therefore, estopped to pursue the tort remedy of damages for fraud.”

In *Eistrat v. Brush Industrial Lumber Company* (1954), 124 Cal. App. 2d 42 at 45, the Court stated:

“The rule is established in California that one who obtains an attachment in pursuance of a contractual remedy is estopped to later pursue another remedy predicated upon an alleged tort arising from the same set of facts.” (Emphasis supplied.)

See also:

Steiner v. Thomas (1949), 94 Cal. App. 2d 655, 660, 211 P. 2d 321;

Philpott v. Superior Court (1934), 1 Cal. 2d 512, 520;

McCall v. Superior Court (1934), 1 Cal. 2d 527, 530, 532;

Jones v. Martin (1953), 41 Cal. 2d 23, 33;

Schulze v. Schulze (1953), 121 Cal. App. 2d 75, 83.

Judge Hall, in his opinion below, well stated the rationale of these decisions [R. 79-80]:

“The plaintiff was confronted with making a decisive choice—it could sue Blade *ex contractu* and attach his property, thus securing itself by that attachment for any judgment it might ultimately get, and assuring itself thereby that it would get something back from Blade for his wrong to it before Blade could sequester the property—or it could forego that right and sue him *ex delicto* and take its chances on ever collecting a judgment. It was a choice with which every lawyer is confronted; whether to take the bird in hand by attachment, or to try to get two birds in the bush by a fraud action. It chose to take the bird in hand. It was a knowing choice

with its advantage of attachment. The law says it was a decisive choice. And the law will not permit it to pursue both choices at the same time merely because by a fraud action it may be more nearly able to recoup a greater sum than in the *ex contractu* action.”

What has been said would appear effectively to dispose of appellant's contention that its State court contractual action and its Federal court tort action against this appellee are separate and concurrent remedies and to establish the correctness of the decision of the District Court that under controlling California law the actions are wholly inconsistent, that by obtaining an attachment appellant made a decisive election of its contractual remedy, and that it is now estopped to pursue this appellee in tort in the Federal court on the same transactions. However, in view of appellant's repeated assertion of the separate, distinct and concurrent character of its two actions, some further discussion would perhaps not be inappropriate to show that even apart from the doctrine of election of remedies the courts have considered contractual and delictual actions against the same defendant based, as here, upon the same transactions, as alternative and inconsistent.

B. The Alleged Wrongful Conduct of This Appellee Was Indivisible and Gave Rise to a Single Cause of Action for Which Appellant Had Alternative and Inconsistent Contractual and Delictual Remedies Between Which It Was Required to Choose.

Appellant seeks to avoid the California rule so clearly announced by the cases barring the instant action, by attempting to divide and split what was admittedly the same transaction into two separate parts and then urging that the State action relates to one part of the split transaction and this action to the second part. Thus, appellant would have this Court declare that the State court contractual action for alleged secret profits received by this appellee from the other defendants is wholly separate from the instant action for damages for fraud allegedly perpetrated by these defendants as part of the identical transaction whereby the secret profits or rebates were allegedly given to this appellee. How appellant can maintain and seriously urge this position is difficult to conceive in view of the single and indivisible nature of the transactions involved.

Appellant's basic cause of action against its employee, Blade, is simply one for the latter's alleged fraud upon his relationship to appellant as an employee—by subjecting his employer to over-charges in consideration of his receiving secret profits or commissions. Such alleged disloyalty by an employee constitutes a *single wrong* for which his employer has, however, *several alternative remedies* against him.

Appellant's fraud remedy obviously afforded it the greatest possible recovery, but it decided to rely upon a contractual remedy in order to utilize and obtain for itself the tremendous advantage of the attachment process.

As we have seen, the California courts hold that upon taking this step, a plaintiff makes a final and positive election of his remedy and is therefore estopped from seeking additional relief against the same defendant on a tort theory. And as has been pointed out, the California election of remedy cases are predicated upon an equitable estoppel prohibiting a plaintiff from pursuing inconsistent remedies against the same defendant, based upon the same transaction or set of facts. As Judge Hall stated in his opinion [R. 79, 76]:

“The plaintiff cannot ratify half of the acts of Blade in dealing with his co-defendants by suit and attachment, where those acts are indivisible, as here, then sue in this court *ex delicto* not only for that half but as well for the additional half. *So far as Blade is concerned, he had one single indivisible obligation to his employer.*

“By electing to sue *ex contractu* in the State court, the plaintiff waived the tort by Blade, and one cannot waive half a tort by suing in contract and then sue in another case for the other half of the tort.” (Emphasis supplied.)

Analogous to the doctrine of election of remedies but based upon a slightly different rationale, to-wit, the invasion of a single primary right, are the cases involving splitting a cause of action. As stated in *Wulfjen v. Dalton* (1944), 24 Cal. 2d 891 at 894-6:

“It is clearly established that a party may not split up a single cause of action and make it the basis of separate suits, and in such case the first action may be pleaded in abatement of any subsequent suit on the same claim. (1 C. J. S. Sec. 102, p. 1306; *Quirk v. Rooney*, 130 Cal. 505 (62 P. 825); *Bingham v. Kearney*, 136 Cal. 175 (68 P. 597); *Pala-*

dini v. Municipal Markets Co., 185 Cal. 672 (200 P. 415).) The rule against splitting a cause of action is based upon two reasons: (1) That the defendant should be protected against vexatious litigation; and (2) that it is against public policy to permit litigants to consume the time of the courts by relitigating matters already judicially determined, or by asserting claims which properly should have been settled in some prior action. Thus, it is said in *Bingham v. Kearney*, *supra*, at page 177: 'It is not the policy of the law to allow a new and different suit between the same parties, concerning the same subject-matter, that has already been litigated; neither will the law allow the parties to trifle with the courts by piecemeal litigation.'

"The present case falls within the scope of the above principle of law. As to plaintiff and defendants Dolton, Potts and King, the *prior action* was identical insofar as the parties thereto were concerned, and the same series of alleged fraudulent acts and misrepresentations on the part of said defendants urged in the rescission action forms the basis of plaintiff's claim for damages here. . . . The violation of *one primary right* constitutes a single cause of action, though it may entitle the injured party to many forms of relief, and *the relief is not to be confounded with the cause of action*, one not being determinative of the other. (Pomeroy, Code Remedies, 5th ed., § 351, p. 536.)" (Emphasis supplied.)

And in *Evans v. Horton* (1953), 115 Cal. App. 2d 281, 284:

"A party claiming to have been defrauded must seek all the relief to which he may be entitled in one action"

Stated another way, and particularly applicable here, is the language found in 1 Cal. Jur. 2d 699-700:

“Thus, if a plaintiff’s claim is founded . . . on one single and continuous tortious act, it cannot be divided into distinct demands and made the subject of separate actions.”

Appellant overlooks the fact that in some situations the same wrongful act may constitute both a breach of contract and the invasion of an interest protected by the law of torts. Certainly in such situations it is the privilege of the injured party to bring either type of action or to file one suit pleading both causes of action in separate counts whenever it would be to his advantage to do so. *But he is nevertheless required to elect at some stage between his inconsistent remedies and is entitled to a recovery under only one of such remedies.*

“The same act or transaction may, however, constitute both a breach of contract and a tort, in which case, but subject to the limitation that they cannot recover twice for the same wrong, the injured party may sue either in contract or in tort, as, for example, where the act complained of consists of the violation of some duty merely incident to, or arising out of, a contract.”

1. C. J. S. 1104, Sec. 47.

As stated by the California Supreme Court in *Jones v. Kelly*, 208 Cal. 251, 254:

“If the cause of action arises from a breach of promise the action is *ex contractu*, but if it arises from a breach of duty growing out of the contract it is *ex delicto* . . . A tort and trespass is none the less such because it incidentally involves a breach of the contract . . . The law imposes the obliga-

gation that 'every person is bound without contract to abstain from injuring the person or property of another, or infringing upon any of his rights.' (Sec. 1078 Civ. Code.) This duty is independent of the contract and attaches over and above the terms of the contract. This being so, the plaintiffs may treat the injury as a tort or as a breach of contract at their election."

See also *Peterson v. Sherman*, 68 Cal. App. 2d 706, 711.

Sears elected, however, to waive any breach of duty or tort allegedly committed by this appellee and brought an action for money had and received based upon implied contract—in order to obtain the powerful advantage of attachment. The nature of such an action is extensively considered in *Philpott v. Superior Court*, 1 Cal. 2d 512, 518, where the Supreme Court declared that:

" . . . it is a case where the plaintiff has not elected to sue for damages, general or special or both, which he may have suffered from the tort inflicted upon him by defendants; likewise it is not a case where the plaintiff is seeking the application of equitable remedies to redress his grievances. All these elements, which may have been shown by appropriate allegations for such relief, are conspicuously absent. Plaintiff apparently is content to merely seek a return from defendants of money given with interest, forgetting and foregoing all other elements of injury. Is it not plain, therefore, that he has waived the tort of defendants and has come into court relying solely upon the promise created by law to return to him the consideration paid upon the contract? (Emphasis supplied.)

And as stated in 1 C. J. S. 1128, 1145, Secs. 49, 50(f):

“To begin with, where the matter out of which the cause of action arises has in it elements of both contract and tort, complainant may waive the tort and sue in contract. So, if there is an express contract, and the same act or transaction constitutes both a tort and a breach of the contract, the injured party may waive the tort and sue on the contract . . .”

. . . .

“By waiving the tort and suing in contract, a party necessarily waives the entire tort, and cannot recover part of his damages in contract and afterward maintain an action in tort for the balance”

Thus, it is clear that although this appellee’s alleged conduct as between himself and his employer may at one and the same time have constituted a breach of contract, a breach of a statutory duty, and a fraud sounding in tort, this does not mean that his employer is entitled to recover in separate actions on each of these theories. Rather, appellant had one single cause of action against this appellee which was necessarily the basis of its complaint in the California Superior Court. It cannot now sue clothed in a different remedial garb on this same single cause of action.

The different measures of damages in the two actions here in question obviously does not mean that these actions are separate and concurrent as appellant suggests. Rather, as we have already shown, the very difference in the measure of damages actually demonstrates the basic inconsistency between contractual and delictual remedies. An attachment action required under California law to be based on “contract” (Code Civ. Proc. 537(1)) can hardly be said to be consistent with the only type of ac-

tion which under California law entitles a plaintiff to exemplary damages, namely, "an action for the breach of an obligation *not* arising from contract." (Civ. Code 3294.) And this, as we have heretofore stated, is precisely what the California cases have held. *Steiner v. Rowley*, 35 Cal. 2d 713, 720; *Acme Paper Co. v. Goffstein*, 125 Cal. App. 2d 175, 178.

In any case, it is readily apparent that the remedy selected by the plaintiff governs the nature of his recovery. The language of the court in *Dawson v. Baum* (Wash.), 19 Pac. 46, quoted in 69 A. L. R. 655, at 657-8, well illustrates the complete chaos which would result if a plaintiff were permitted to sue in separate actions on different theories and for different items of damages caused it by a single act or wrong of the defendant. In that case the property of the plaintiff had been unlawfully taken on execution and thereafter recovered by him in a statutory action. He subsequently brought an action to recover for damage to his credit and good standing as a merchant. It was held that the judgment in the statutory action by which he obtained a return of his property was a bar to the subsequent action. The court, after pointing out the different remedies originally available to the plaintiff under the facts of the particular case, describes the chaotic effect of any holding to the contrary:

"Thus, for this wrong, the plaintiff had the election of six different kinds of action, and his remedy might have been different in each. Now, having chosen his remedy, and secured full satisfaction according to his choice, he now sues again for the same wrong, because he thinks he has made an unwise choice. After recovery, and being satisfied in one action, can he, for the same wrong, continue to sue in each of the other five forms, because there is some

peculiar benefit in each that is not in the other? Had he sued in the action wherein he could have recovered the property and the damages for detention, and have left out the damages by his good will or mistake, could he bring another action for the damages he omitted? To choose to sue as he did was to voluntarily omit the damages for detention. To sue as he did, instead of in trespass, was omitting, voluntarily, exemplary damages, and this omission is of the same effect as if in trespass he had omitted to claim vindictive damages. *When the law gives a choice of remedies for a wrong, the plaintiff, by choosing the benefits of one form, waives the benefit of other forms*; upon the same principle that if, in an action for damages for a wrong, he omits some fact which would increase the damages, he loses it. It is for the interest of the public that litigation shall not be had about one wrong by many actions. It is wrong for a plaintiff to split up a contract or wrong into many parts, and thus harass and put to costs a defendant, when the plaintiff can recover, if he chooses, all in one action. One action, judgment, and satisfaction for one wrong are all the law allows. For these reasons we think the plea in bar should have been sustained.” (Emphasis supplied.)

California is in accord with the result reached in the *Dawson* case. In *McCaffrey v. Wiley*, 103 Cal. App. 2d 621, the plaintiff had recovered possession of certain land by an action in ejectment and then brought the instant action to recover damages for the wrongful withholding of possession. In holding that the latter action was barred the Court stated (pp. 624-625):

“In the instant case, the one primary right involved was the right of the appellant to possession of the land and there was but one violation of that

duty on the part of the respondent. Both actions were based on the same invasion of the same right, and under the well established rules with respect to the splitting of actions which prevails in this state the appellant should have presented his claim for damages in the prior action, and by failing to do so he must be held to have waived it."

Thus, from whatever direction the issue is approached the result is the same: appellant may not, under fundamental principles, properly proceed with its District Court fraud action against this appellee.

Conclusion.

The District Court in granting the Motion of Frank R. Blade for Summary Judgment properly and correctly applied the California law, and, as to Frank R. Blade, no other conclusion can be justified in view of the clear language of the attachment statute and the controlling California decisions as to election of remedies.

For all of the foregoing reasons, it is submitted that the court below did not commit error in granting the said Motion for Summary Judgment of this appellee and that its judgment should, therefore, be affirmed.

Respectfully submitted,

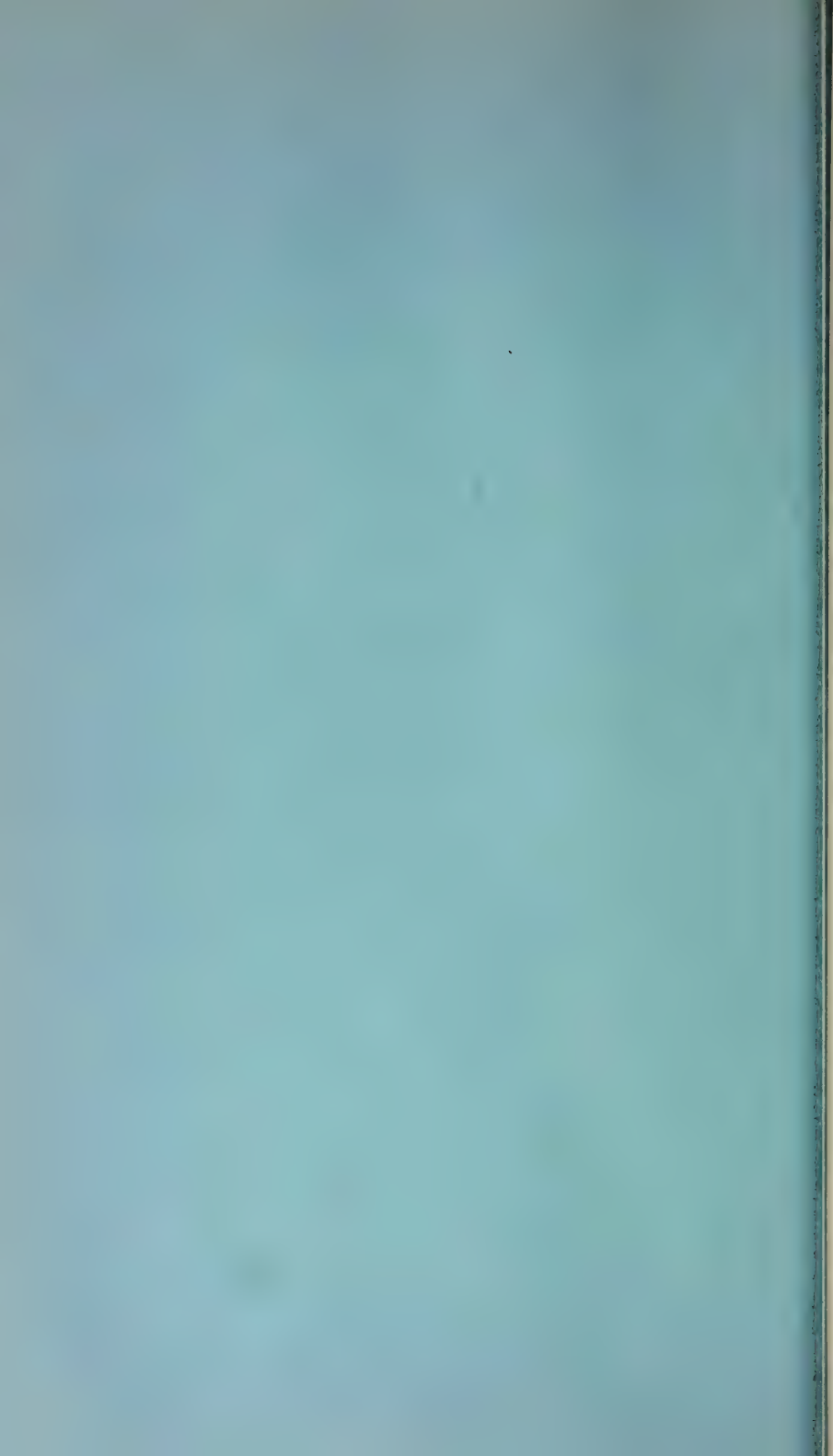
GERALD R. KNUDSON,

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R. Blade.*





APPENDIX.

Portion of Opinion of Honorable Peirson M. Hall, United States District Judge, Granting Motion for Summary Judgment of Appellee, Frank R. Blade.

United States District Court, Southern District of California, Central Division.

Sears, Roebuck & Co., a corporation, plaintiff, vs. Frank R. Blade, *et al.*, defendants. No. 14,079-PH Civil.

MEMORANDUM OPINION.

The original complaint in this matter was filed on May 2, 1952. It was in three causes of action; the first for alleged liability under the Sherman Act; the second for alleged liability under the Clayton Act, and the third a count for damages for fraud.

Upon motions to dismiss, an order was made sustaining the motion to dismiss without leave to amend as to the first and second causes of action and sustaining the motion to dismiss as to the third cause of action with leave to amend (see *Sears, Roebuck v. Blade*, 110 Fed. Supp. 96). After the filing of that memorandum, in February, 1953, appeal was taken by the plaintiffs but later abandoned, and on August 21, 1953, the plaintiff filed an amended complaint for damages for fraud in one cause of action.

The matter is before the court on a motion for summary judgment by defendant Blade, and on motions of the other defendants to dismiss or in the alternative for summary judgment.

By its amended complaint the plaintiff seeks to recover damages for fraud from Blade, (its former employee for many years), Metropolitan Engravers, Ltd.,

a corporation, Metropolitan Mat Service, Inc., another corporation, Gregory F. Duffy, Aubrey A. Duffy, and Walter Duffy, and Alfred Smutz, officers and directors of those two corporations, and Barnard Engraving Company, Inc., a corporation, and James G. Barnard and Margaret Davis, alleged to be the officers, agents and representatives of the Barnard Company.

The substance of the plaintiff's cause of action is alleged to be as follows: defendant Blade was employed by the plaintiff in the capacity of Advertising Manager for what it refers to as its Los Angeles Group of stores; as part of his duties as such Advertising Manager, he was required to negotiate and contract for the engraving of material which was to be used, and was used, by the plaintiff in connection with its advertising in newspapers; that from January 1, 1937, until the month of December, 1951, defendant Blade entered into and executed many contracts with the defendant Metropolitan Engravers, which company, in turn, manufactured engravings which were sold to, and used by, the plaintiff in its newspaper advertising, that throughout the entire period the defendant Metropolitan Engravers and its officers and agents "secretly, fraudulently, unfairly and deceptively conspired and agreed that the defendants 'Engravers' and 'Mat Service' would pay to the defendant Frank R. Blade, would receive and accept secret, fraudulent, unfair and deceptive rebates, profits or commissions in the sum of \$400.00 per month in consideration of which said defendant Blade would contract for all engraving to be purchased by the Los Angeles Group of stores owned and operated by plaintiff with said defendant 'Engravers' and no other person, firm or corporation, and would permit them to charge and would procure plaintiff to pay them sums of money greatly in excess of the then going price

for identical quantities of identical or similar engraving current in the Los Angeles market and at prices substantially in excess of the prices which plaintiff would have been charged by competitors of defendants for like quantities of engraving of like grade and quality. In particular it was agreed between said defendants that plaintiff would be charged and would pay to said defendant 'Engravers' sums of money based upon varying basic prices of \$.033 to \$.044 per unit of engraving, although the fair market price in the Los Angeles area and the prices concurrently charged other purchasers in said area who were competitors of plaintiff for like quantities of engraving of like grade and quality was \$.030, or less; and that, for extra work in connection with such engraving not included in such unit price, equivalent additional charges over and above the fair market price for such extra work would be made by defendant 'Engravers' and paid by plaintiff."

It is further alleged in the complaint that prior to October 31, 1949, defendant Blade was instructed by plaintiff to contract for part of the engraving for the Los Angeles Group of stores with engraving firms other than the defendant Metropolitan Engravers; that thereupon the defendants and each and all of them, further contracted and agreed among themselves that the engraving business of the plaintiff should be divided between the defendant Metropolitan Engravers and the Barnard Company, and that no other person, firm or corporation should be allowed or permitted to secure any such business; that the base price would be \$.044 per unit "and not at the fair market price in the Los Angeles area of \$.030, or less." It is also alleged that the Barnard Company and James G. Barnard and Margaret Davis also agreed

to pay Blade a secret profit amounting to 15% of the gross amount of all moneys received from plaintiff for engraving done by the Barnard Company. It is further alleged that said agreements were carried out and executed by the defendants. The complaint has attached to it a list of payments beginning February 6, 1942, to November 29, 1951, and alleges that the total amount paid for engraving during that period was the sum of \$563,-504.50; that the fair market value was the sum of \$141,-979.95 less than the total figure. It is also alleged that the dates and amounts of purchases of engravings made by plaintiff from defendant Engravers during the period of time from on or about January 1, 1937, until on or about February 5, 1942, and the total amount so charged by defendants and paid by the plaintiff during that period are unknown to the plaintiff. It is alleged that the difference between the fair market value and the amount paid by plaintiff to Barnard Co. was the sum of \$20,-021.50.

The plaintiff then alleges that the total amount received by Blade from the Metropolitan Engravers and Metropolitan Mat Service was a sum in excess of \$50,000 and the amount paid to Blade by the Barnard Co. was \$8,250.

The circumstances of the discovery of fraud are alleged to be that all of the acts and agreements and conduct of the defendants, above described, were unknown to the plaintiff until on or about the 10th day of December, 1951; that on or about the 6th day of July, 1951, plaintiff received an anonymous letter to the effect that some unidentified person who was engaged in purchasing for the plaintiff was engaged in receiving secret payoffs. The letter did not identify the party charged, but the

letter caused the plaintiff to investigate those engaged in purchasing, which resulted in the discovery by them, on or about the 10th day of December, 1951, of the acts and conduct upon which it bases its claim for relief. The complaint seeks actual damages totaling \$162,001.45, and \$250,000 as exemplary or punitive damages.

Defendant Frank R. Blade has answered with the usual denials; and alleges that all claims prior to May 2, 1949, are barred by the statute of limitations of California [C. C. P. §339(1)] and that all acts prior to May 2, 1948, are barred by the provisions of Section 338 of the California Code of Civil Procedure; that all claims are barred by laches on the part of the plaintiff; and as a separate defense alleges in his sixth additional defense that prior to the filing of the Amended Complaint herein on August 21, 1953, and prior to the filing of the original complaint herein on May 2, 1952, and to-wit: on December 10, 1951, the plaintiff filed a complaint for money had and received in the Superior Court of the State of California in and for the County of Los Angeles, wherein the plaintiff herein was plaintiff therein and the defendant Frank R. Blade and Nella Blade were defendants; that the plaintiff in that case secured a writ of attachment under the provisions of Section 537 of the Code of Civil Procedure of the State of California and caused the same to be levied by the Sheriff of Los Angeles County; that in response to a demand for a bill of particulars, Sears, Roebuck filed a bill of particulars which contains, in substance, the same charges contained in the complaint herein, and that by the filing of the Superior Court action the plaintiff made an election of remedies, resulting in damage or injury to the defendant Blade and that by virtue of such election of remedies, the plaintiff is

estopped from maintaining the instant suit against Frank R. Blade.

The motion of defendant Blade for summary judgment will be considered before discussing the motions of the other defendants.

Blade's motion for summary judgment is based upon the ground that plaintiff is estopped from asserting tort liability against him, in that plaintiff, by its suit and attachment in the Superior Court, made a decisive election of remedies.

The motion is based on the pleadings, including the verified answer of Blade and the affidavit of Mr. Knudson, which, in substance, contains all the factual matters set forth in the sixth separate defense of Blade. The facts therein alleged are undenied; they are material. There is thus no genuine issue as to them, which postures the case for summary judgment as to Blade, under Rule 56 F. R. C. P., if, as matter of law, the suit and attachment in the State Court constitute such an election of remedy by the plaintiff as to estop it from pursuing the within action for alleged torts of Blade. *Miller v. Hoffman*, 1 F. R. D. 290.

The mere pursuit of a remedy does not necessarily estop a party from pursuing another inconsistent remedy. It frequently occurs that the remedy first pursued by a wronged party develops into no remedy at all, that is to say, it develops after trial, and even after appeal, that the plaintiff never had such a right or remedy to recover. An election of remedies presupposes the existence of two *valid* remedies. If one turns out not to be valid, a plaintiff cannot be held to have made an election, because one cannot choose to have that to which he is not entitled.

As said in *Bierce v. Hutchins*, 205 U. S. 340, 347, "It does not purport to be a choice, and it cannot be one because the party has no right to choose." *Barnsdall v. Waltemeyer* (C. C. A. 8, 1905), 142 Fed. 415, cert. den., 201 U. S. 643; *Southern Pacific Co. v. Bogert* (1919), 250 U. S. 483; *Rankin v. Tygard*, 198 Fed. 795; *Brown v. Fletcher* (C. C. A. 6, 1910), 182 Fed. 963, cert. den., 220 U. S. 611.

It is, however, also a settled proposition of law that where a person has two inconsistent remedies and pursues one, and by it gains an advantage over the other party, or causes him damage, then an election is deemed to have been made which operates as an equitable estoppel from pursuing another and different remedy. It is this doctrine upon which the defendants rely.

There are two necessary elements to this rule: (1) the remedies must be inconsistent, and (2) their first remedy pursued must result in disadvantage, damage, or detriment to the other party. *De Laval Pac. Co. v. United C. & D. Co.* (1924), 65 Cal. App. 584, 586.

The suit in the Superior Court was for money had and received—it is *ex contractu*; the suit here is *ex delicto*. They are inconsistent. *Equitable Trust Co. v. Connecticut Brass & Mfg. Corp.*, 290 Fed. 712 (C. C. A. 2, 1923); *Steiner v. Rowley* (1950), 35 Cal. 2d 713, 720; *Philpott v. Superior Court* (1934), 1 Cal. 2d 512, 520; *McCall v. Superior Court* (1934), 1 Cal. 2d 527, 531. A writ of attachment will issue under California C. C. P. §527, in an action *ex contractu*, but not one *ex delicto*, which alone is a sufficient mark of inconsistency. As said in *Hallidie v. Enginger* (1917), 175 Cal. 505, 508:

"Next, let it be remarked, that the common-law distinctions between actions *ex contractu* and actions

ex delicto have not been changed by the permission to file rambling pleadings containing averments pertaining to both classes of actions, and even averments addressed to equity alone. And, finally, let it be remembered that our statute and statutes like ours grant a writ of attachment only in cases *ex contractu*, and therefore deny it, both in actions *ex delicto* and in actions where equitable relief as such is sought.”

The second necessary element for estoppel by election is also present here, *i. e.*, securing an advantage in the state suit by getting the writ of attachment. *Steiner v. Rowley, supra; Estrada v. Alvarez* (1952), 38 Cal. 2d 386.

In the *Steiner* case, *supra*, the complaint was in four counts, one of which was for money had and received and another for fraud for secret profits by an agent of the plaintiff. An attachment was secured. The court said (p. 720), “. . . the Steiners also obtained an attachment. This was a positive act of a plaintiff ‘in pursuit of . . . (the contractual remedy) . . . whereby he has gained . . . advantage over the other party . . .’ (*De Laval Pac. Co. v. United C. & D. Co.*, 65 Cal. App. 584, 586, 224 Pac. 766). The Steiners were therefore estopped to allege a cause of action in tort, and the demurrer to the fourth count (the tort count) was properly sustained.”

In the *Estrada* case, *supra*, the court stated (p. 391), “As previously stated, plaintiffs pray, in the alternative, for damages for fraud. Their original complaint attempted to state a cause of action for damages for breach of contract (this attempt has been abandoned). In pursuit of this contract remedy plaintiff obtained an attach-

ment. They are, therefore, estopped to pursue the tort remedy of damages for fraud.”

The plaintiff contends, however, that the doctrine of the above cases does not apply; asserting that the state court action was one to recover secret profits received by Blade in which the measure of damages was the amount of money received by him, whereas, here, the measure of damages is the detriment caused by the fact that Blade entered into the fraudulent agreements with his co-defendants and carried them out. No authority is cited in support of this contention.

The money received by Blade and sought to be recovered in the state court is part of the damages sought to be recovered in the instant action. The plaintiff has an attachment on Blade’s property to secure his judgment in the state court if he obtains one. It has not dismissed the state action or released the attachment.

From the allegations of the complaint and from the undenied pleadings filed in the state action, it appears that the acts of Blade with the defendants here, constituted *one* continuous wrong; and that the *acts* of *Blade* and the *acts* of his co-defendants in this case, were the basis of the suit in the state court. This is the only conclusion which can be reached from reading the pleadings in the within action and in the state court action, but it is emphasized by the following statements of the verified bill of particulars filed by the plaintiff in the state action:

“Secret profits received by Defendant Frank R. Blade for and on account of Sears, Roebuck and Co. but not accounted for or paid over to said company as follows:

“(a) Sums amounting to Four Hundred Dollars (\$400.00) per month received by Frank R. Blade

from January, 1937, to October, 1951, inclusive, a period of one hundred sixty-six months, from Metropolitan Engravers, Ltd., a corporation, and Metropolitan Mat Service, Inc., amounting to Sixty-Six Thousand, Four Hundred Dollars (\$66,400.00).

“(b) Sums received from Barnard Engraving Company (formerly known as Barnard-Quinn Co.) during the period from September, 1949, to and including November 1, 1951, amounting to Eight Thousand, Five Hundred Eleven and 50/100 Dollars (\$8,511.50).”

These are the *same acts* which plaintiff relies on in the instant suit. The plaintiff seeks in this action to recover the identical money as it seeks to recover in the state court action. While it seeks a greater sum of damages here than there, I cannot see how a different measure of damages for the same acts can create a right to two inconsistent remedies for those acts where, as here, the plaintiff by suit *ex contractu* in the state court waived the tort. The essence of the cause of action in both suits is the violation of the primary right which the plaintiff had to honest dealings by both Blade and his co-defendants here. It constituted a single cause of action.

As stated by the Supreme Court of California in *Wulfjen v. Dolton*, 24 Cal. 2d 891, at 895, 896 (1944), “The violation of *one primary right* constitutes a single cause of action, though it may entitle the injured party to many forms of relief, and the relief is not to be confounded with the cause of action, one not being determinative of the other.”

By electing to sue *ex contractu* in the state court the plaintiff waived the tort by Blade, and one cannot waive

half a tort by suing in contract and then sue in another case for the other half of the tort. When one sues *ex contractu*, whether on an express or implied contract, the bringing of that suit affirms the contract. It is the essence of the plaintiff's cause of action in the within case that it disaffirms and disavows the acts of Blade in letting contracts and receiving money from his co-defendants; it is the essence of the plaintiff's cause of action in the state court that the defendant Blade was under the obligation of an implied contract to pay over to the plaintiff all moneys that he received.

In *Robb v. Vos*, 155 U. S. 1 (1894), at page 41, the court stated as follows:

“Thompson v. Howard, 31 Michigan, 309, 312, was a case where a father who had brought an action of assumpsit for a minor son's wages, and, after the jury disagreed, had discontinued the suit, and brought an action for the unlawful enticing away and harboring the son. The Supreme Court said: ‘A man may not take contradictory positions; and where he has a right to choose one of two modes of redress, and the two are so inconsistent that the assertion of one involves the negation or repudiation of the other, his deliberate and settled choice of one, with knowledge, or the means of knowledge of such facts as would authorize a resort to each, will preclude him thereafter from going back and electing again. . . . (The plaintiff's) proceeding necessarily implied that the defendant had the young man's services during the time *with plaintiff's assent*, and this was absolutely repugnant to the foundation of this suit, which is, that the young man was drawn away and into defendant's service *against the plaintiff's assent.*’

“In *Conrow v. Little*, 115 N. Y. 387, 393, 394, the court said: ‘The contract between Branscom and the plaintiffs was, upon the discovery of Branscom’s fraud, voidable at their election. As to him, the plaintiffs could affirm or rescind it. They could not do both, and there must be a time when their election should be considered final. We think that time was when they commenced an action for the sum due under the contract, and in the course of its prosecution applied for and obtained an attachment against the property of Branscom as their debtor. They then knew of the fraud practised by him, and disclosed that knowledge in the affidavit on which the attachment was granted, and became entitled to that remedy because it was made to appear that a cause of action existed in their favor by reason of “a breach of contract to pay for goods and money loaned obtained by fraud.” The attachment was levied and the action pending when the present action, which repudiates the contract and has no support except on the theory of its disaffirmance, was commenced. The two remedies are inconsistent. By one, the whole estate of the debtor is pursued in a summary manner, and payment of a debt sought to be enforced by execution; by the other, specific articles are demanded as the property of the plaintiff. One is to recover damages in respect of the breach of the contract, the other can be maintained only by showing that there was no contract. After choosing between these modes of proceeding, the plaintiffs no longer had an option. By bringing the first action, after knowledge of the fraud practised by Branscom, the plaintiffs waived the right to disaffirm the contract, and the

defendants may justly hold them to their election. The principle applied in *Foundry Company v. Hersee*, 103 N. Y. 26, and *Hays v. Midas*, 104 N. Y. 602, require this construction, for the present contains the element lacking in those cases, viz., knowledge of the fraud practised by the vendee; and by reason of it the plaintiffs were put to their election.

“‘It is not at all material to the question that the plaintiffs discontinued the first suit before bringing the present to trial, for it is the fact that the plaintiffs elected this remedy, and acted affirmatively upon that election, that determines the present issue. Taking any steps to enforce the contract was a conclusive election not to rescind it on account of any thing known at the time. After that the option no longer existed, and is of no consequence whether or not the plaintiffs made their choice effective.’”

The plaintiff cannot ratify half of the acts of Blade in dealing with his co-defendants by suit and attachment, where those acts are indivisible, as here, then sue in this court *ex delicto* not only for that half but as well for the additional half. So far as Blade is concerned he had one single indivisible obligation to his employer. He violated that obligation according to the complaint here and in the state court. The plaintiff was confronted with making a decisive choice—it could sue Blade *ex contractu* and attach his property, thus securing itself by that attachment for any judgment it might ultimately get, and assuring itself thereby that it would get something back from Blade for his wrong to it before Blade could sequester the property—or it could forego that right and sue him *ex delicto* and take its chances on ever collecting a judgment.

It was a choice with which every lawyer is confronted; whether to take the bird in hand by attachment, or try to get two birds in the bush by a fraud action. It chose to take the bird in hand. It was a knowing choice with its advantage of attachment. The law says it was a decisive choice. And the law will not permit it to pursue both choices at the same time merely because by a fraud action it may be more nearly able to recoup a greater sum than in the *ex contractu* action.

By the allegations in the complaint in this action and the complaint and bill of particulars in the state action, Blade and his co-defendants here joined in a single wrong, namely, fraud upon the plaintiff, which the plaintiff elected to waive by bringing the state action. It cannot now split its causes of action into several suits. *Robb v. Vos, supra*; *Paladini v. Municipal Markets Co.* (1921), 185 Cal. 672; *Nightingale v. Scannell* (1855), 6 Cal. 506, at 509; *Herriter v. Porter* (1863), 28 Cal. 385 at 387; *Van Horne v. Treadwell* (1913), 164 Cal. 620 at 622; *Grain v. Aldrich* (1869), 38 Cal. 514 at 519.

The defendant Blade is entitled to summary judgment on his motion and that will be the order of the court.

No. 14564

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SEARS, ROEBUCK & Co., a Corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD., METROPOLITAN MAT
SERVICE, INC., GREGORY F. DUFFY, AUBREY A. DUFFY,
ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

REPLY BRIEF OF APPELLANT.

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TOPICAL INDEX

PAGE

I.

Introduction	1
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II.

No inconsistency existed between this action and the State court action	2
Appellees' reliance on State court attachment has been mis- placed	5

III.

Laches presents no bar to appellant's suit and appellees' refer- ence thereto is wholly without merit.....	9
Conclusion	14

TABLE OF AUTHORITIES CITED

CASES	PAGE
Anderson v. Thacher, 76 Cal. App. 2d 50, 172 P. 2d 533.....	13
Barnsdall v. O'Day, 134 Fed. 828.....	4
Brown v. Oxtoby, 45 Cal. App. 2d 702, 114 P. 2d 622.....	11
Callinan v. Federal Cash Register Co., 3 F. R. D. 177.....	4, 7
City of Findlay v. Pertz, 66 Fed. 427.....	4
Dabney v. Philleo, 38 Cal. 2d 60, 237 P. 2d 648.....	11, 12
Davis v. Hibernia Sav. Etc. Soc., 21 Cal. App. 444, 132 Pac. 462	12
Estrada v. Alvarez, 38 Cal. 2d 386, 240 P. 2d 278.....	8
Glaspie v. Keator, 56 Fed. 203.....	4
Hallidie v. Enginger, 175 Cal. 505, 166 Pac. 1.....	8
Kuntz v. Tonnele, 80 N. J. Eq. 373, 84 Atl. 624.....	4
Lady Washington C. Co. v. Wood, 113 Cal. 482, 45 Pac. 809....	12
Mabry v. Randolph, 7 Cal. App. 421.....	13
Mayor of Salford v. Lever, 1 Q. B. 168.....	4
Revert v. Hess, 184 Cal. 295.....	5
Steiner v. Rowley, 35 Cal. 2d 713, 221 P. 2d 9.....	6
Tarnowski v. Resop, 236 Minn. 33, 51 N. W. 2d 801.....	4
Victor Oil Co. v. Drum, 184 Cal. 226, 193 Pac. 243.....	11, 13

STATUTES

Civil Code, Sec. 1985.....	2
Labor Code, Sec. 2860.....	2

TEXTBOOKS

23 California Jurisprudence 2d, Sec. 61, p. 151.....	11
Restatement of Law of Agency, Sec. 407(2).....	4

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REPLY BRIEF OF APPELLANT.

I.

Introduction.

This reply of Appellant, Sears, Roebuck & Co., is in answer to the separate briefs of Appellee, Frank R. Blade and Appellees Metropolitan Engravers. Ltd., Metropolitan Mat Service, Inc. Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy. We believe that each can be answered in the limited space of a single Reply Brief because the issues raised by the Appellees present little or nothing that was not contained in the written opinion of the trial court [R. 65-87], which was fully answered in Appellant's Opening Brief.

II.

No Inconsistency Existed Between This Action and the State Court Action.

It seems clear that the basic point of departure between the parties to this appeal lies in the constantly reiterated assertion that Sears Roebuck had but a single primary right of recovery against both Blade, the employee, and against the engraving suppliers and that having proceeded against Blade in the State Court and secured a writ of attachment the Appellant irrevocably elected its remedy and was estopped from asserting the present action in the United States court. Neither the record nor the law supports the theory of depriving Appellant of the major portion of its remedy for the wrongs alleged to have been inflicted upon it.

The facts are not in dispute. Indeed, inasmuch as this appeal arises from judgments on the pleadings, the facts could not be in dispute. However, in view of the misinterpretation of the facts in the Briefs of Appellees, we restate them briefly. Blade, the advertising manager for the Los Angeles group of stores owned and operated by Appellant [R. 6], received over the years secret bribes or commissions from those with whom he contracted for advertising engraving. Sears Roebuck, discovering this infidelity on the part of its trusted employee in 1951, sued him in the State Court for money had and received for the use of his employer [R. 38-39], and secured an attachment in connection therewith. In pursuing this remedy it was doing no more than exercising the statutory rights afforded it by California Labor Code, Section 2860 (formerly Civ. Code, Sec. 1985):

“§2860. *Ownership of things acquired by virtue of employment.* Everything which an employee acquires

by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment.”

If there is any doubt that this was the nature of the right being invoked, it is set at rest by the Bill of Particulars filed in the State Court action [R. 45-47] from which it conclusively appears that the only recovery being sought in the State Court action was the secret bribes or commissions paid to Blade by the engravers.

“The above amounts were received by said Frank R. Blade for the account of plaintiff but were not reported to plaintiff or accounted for by said Blade and plaintiff did not discover that said sums had been paid to and received by said Blade until the month of December, 1951.” [Bill of Particulars—R. 46.]

There was accordingly no waiver of tort and suit *in assumpsit*. It was a simple action in implied contract by an employer against its employee for moneys received in the course of his employment which by statute belonged to the employer.

How could this action conceivably be inconsistent with the present action alleging a conspiracy between Blade and the engraving suppliers to defraud and overcharge Appellant for engraving work? It is only necessary to look at the Amended Complaint for Damages for Fraud [R. 3-28], to see that the recovery sought is the amount of overcharges made, not the sums received by the employee for the use and benefit of his employer. Thus the prayer is for damages in the sum of \$162,001.45, plus interest and exemplary damages, which in turn is the sum of the overcharges made by the Metropolitan Engravers and Mat

Service, \$141,975.95 [R. 10], and the overcharges by the Barnard Company* in the amount of \$20,021.50 [R. 12].

Neither of the Appellees' briefs undertakes to distinguish any of the numerous and controlling authorities at pages 11 to 23 of Appellant's Opening Brief.

Restatement, Agency, Sec. 407(2);

Callinan v. Federal Cash Register Co., 3 F. R. D. 177;

Tarnowski v. Resop, 236 Minn. 33, 51 N. W. 2d 801;

Kuntz v. Tonnele, 80 N. J. Eq. 373, 84 Atl. 624;

Mayor of Salford v. Lever, 1 Q. B. 168 (1891);

Barnsdall v. O'Day, 134 Fed. 828;

Glaspie v. Keator, 56 Fed. 203;

City of Findlay v. Pertz, 66 Fed. 427.

The above cited authorities clearly hold that an action to recover secret bribes received by an agent is separate and distinct from and consistent with an action for damages against third parties conspiring with the agent to defraud the principal. Appellees do not cite any cases from California or elsewhere, contrary to the clear rule enunciated by these authorities.

Counsel for the Appellee Blade purport to distinguish the foregoing authorities of Appellant upon the ground that in none of them did it affirmatively appear that the defrauded principal undertook to join the agent in both actions, *i. e.*, the action to recover secret bribes or profits from the agent and the action against the third parties for damages for fraudulent overcharges (Footnote 4, pp. 12-

*As noted in our Opening Brief, there was no appearance by the Barnard Co. and the action is not being prosecuted as to it. (Op. Br. p. 7.)

13 of Brief for Appellee, Frank R. Blade). But if the soundness of the rule—that the two actions are separate and distinct—be conceded, the fact that in the second action the perfidious employee is joined as a defendant co-conspirator to fraudulently overcharge Appellant can hardly convert these two causes of action and two remedies into one.

As the Engraver Appellees point out in their brief, with copious citations (Br. of Metropolitan Engravers, *et al.*, p. 12t): “Each conspirator is jointly and severally liable for all the injury resulting from the conspiracy,” and they cite *Revert v. Hess*, 184 Cal. 295, 303, for the proposition that it matters not whether the conspirators expected or received any benefit from the wrongful act. With Blade concededly a proper party defendant in the present action for conspiracy to defraud, his joinder cannot obliterate the accepted fact that the State Court action to recover secret profit or bribes from the employee is separate and distinct from and not inconsistent with the action for damages for the fraudulent overcharges made.

Appellees' Reliance on State Court Attachment Has Been Misplaced.

Counsel for Appellee Blade tax us with ignoring the significance of the attachment secured in the State Court action; but the attachment has no significance unless Appellant was required to elect its remedy and it would have to elect its remedy only if the one action was inconsistent with the other (See Point III of the Op. Br. pp. 31-33), which brings us back again to the point of beginning and to the only decisions in point, namely, those cited above and also cited and presented at pages 11 to 23 of the Opening Brief, which hold the rights or causes of action to be independent, separate and consistent, one with the other.

Steiner v. Rowley, 35 Cal. 2d 713, 221 P. 2d 9, which seems to hold so mesmeric an attraction for the Appellees, is not only distinguishable, it is just not in point. The case arose upon demurrers to four counts of a complaint, all against defendant Rowley, a real estate broker, brought by his principals as the purchasers of a piece of property. The first count was for the recovery of \$2,000.00 as a side payment and secret profit received by Rowley in the deal. The second count, for money had and received, was for the same \$2,000.00 paid Rowley by the sellers in the transaction. The third count alleged that, in addition to the \$400.00 commission paid Rowley by the plaintiff purchasers, he received a secret profit of \$2,000.00 out of the escrow on instructions of the sellers. In the fourth count plaintiffs alleged that because Rowley obtained the \$2,000.00 by fraud, oppression and malice, they were entitled to exemplary damages. The court reversed with instructions to overrule the demurrers to the first three counts. The demurrer to the fourth count was upheld because the plaintiffs had secured an attachment and had thereby elected to proceed with the contractual remedy. In this connection, the court stated:

“But the Steiners also obtained an attachment. This was a positive act of a plaintiff ‘in pursuant of * * * (the contractual remedy) * * * whereby he had gained * * * advantage over the other party * * *.’ (*De Laval Pac. Co. v. United C. & D. Co.*, 65 Cal. App. 584, 586, 224 P. 776.)” (p. 720 of 35 Cal. 2d.)

The remedies for the recovery of the same moneys from the same person, in contract on the one hand and in tort on the other, were plainly inconsistent and an election could be compelled. The case would be analogous only if the fourth count or cause of action had been against Rowley and the sellers, *not for the secret \$2,000.00 commission*, but for damages for the difference between the fair market value of the property purchased and the price paid. In such a case we have no doubt the demurrer to the fourth count would have similarly been overruled, although the propriety of joining the two causes of action in a single complaint is open to doubt. (See *Callinan v. Federal Cash Register Co.* (D. C., W. D., Mo.), 3 F. R. D. 177 (referred to at pp. 12-13 of Op. Br.) A separate and distinct tort action for a different measure of recovery would have been effectively pleaded against the sellers and the broker for their combined conspiracy to defraud the plaintiffs as in the case at bar.

Again we emphasize that the only authorities in point (pp. 11-23 of the Op. Br.) clearly stand unchallenged, and we see no escape from the proposition that the Appellant had the right to exercise, as it did, its dual rights to recover from its employee his wrongful receipts and from the co-conspirators the fraudulent overcharges they made. It may be, as suggested in the Opening Brief (p. 34) but by no means conceded by the authorities, that Blade might be entitled to have credited against any judgment recovered against him the amount of any

recovery finally effected in the State Court action, but the distinct and separate nature of the remedies recognized by law stands untrammelled and unchallenged.

Estrada v. Alvarez, 38 Cal. 2d 386, 240 P. 2d 278, which relied upon *Steiner v. Rowley*, is similarly not contrary to the decisions upon which Appellant relies. This action for damages for breach of contract arising out of the purchase of a truck on a conditional sales contract was against the same defendant seller as the alternative remedy for damages for fraud; having levied an attachment on the contract cause of action the court held plaintiffs to be precluded under the *Rowley* case from proceeding with their alternative cause of action for damages for fraud. Upon their face the causes of action were in the alternative and inconsistent rather than concurrent remedies.

Hallidie v. Enginger, 175 Cal. 505, 166 Pac. 1, aids the Appellees not at all for it merely affirms the discharge of a writ of attachment in an action sounding in fraud upon the ground that the writ is issuable only in actions *ex contractu*.

Here the only real issue before the court is whether *two* actions, the State Court action against the employee to recover moneys paid to him as bribes and the present action to recover from the sellers and the employee the fraudulent overcharges made by them pursuant to the alleged conspiracy, are mutually inconsistent one with the other. The cases cited at pages 11 to 23 of the Opening Brief hold the two causes of action to be separate and distinct.

Other cases cited in the brief of Appellee do not require in our opinion any separate consideration.

III.

Laches Presents No Bar to Appellant's Suit and Appellees' Reference Thereto Is Wholly Without Merit.

It remains but to consider the tenuous and transparent plea of laches raised in Sections II, III and IV of the Brief of Metropolitan Engravers, apparently based upon an affidavit not now part of the record but which these Appellees say they will move to have made part of the record on appeal (Engraver's Br. p. 5). If we correctly understand the tenor of this argument, with its dramatic references to the "greatest war of all time," to the disappearance of nations, to the atomic bomb, to medical discoveries and to the growth of Los Angeles (Engraver's Br. pp. 21-22), we are left with the uncomfortable feeling that the Appellant's undeniable burden of proof when it is finally afforded its day in court may indeed be difficult to sustain. But surely an uphill battle of proof on the plaintiff's part is a poor excuse for a plea of laches by the defendants in an attempt to sustain a judgment denying the right to adduce that proof.

It is only necessary to quote two sentences from the flamboyant rhetoric of these portions of the Engraver's Brief to illustrate our point. Speaking of the Appellant, they say (Br. of Metropolitan Engravers, p. 21):

"It does not know but only is informed and believes that the amount paid to these *respondents* (*sic*) was in excess of the fair market price. The amount of such excess is now unknown to plaintiff but it is informed and believes that the same is well known to defendants [R. p. 8]."

It may well be that the changing current of world affairs will make the proof difficult, perhaps impossible, but that

is scarcely a sound basis for denying Appellant the right to make the effort. We find ourselves but little persuaded by the argument that difficulty or possible inability to prove a fraud should thus summarily condone the wrongdoing and furnish a defense to the alleged defrauders.

The complaint alleges [R. 9] and it will be incumbent upon Appellant to prove the amounts paid to Metropolitan Engravers from February 5, 1942, through November 29, 1951, and that these amounts exceeded the prevailing and fair market price for engraving of like grade and quality in the Los Angeles area during the years in question. The complaint alleges further upon information and belief, that for the five years preceding February 1, 1942, namely, from about January 1, 1937, until February 5, 1942, like fraudulent overcharges were made by Metropolitan Engravers pursuant to the conspiracy with Blade [R. 10-11], but the amounts paid during those years are alleged to be unknown to Appellant although well known to Appellees. These allegations Appellant will also have the burden of proving and if through lapse of time, shifting of population or loss of records (Engraver's Br. p. 25), it is unable to sustain the burden, the loss will certainly not be that of Metropolitan Engravers but rather that of the Appellant.

On its face the plea of laches and the supposed prejudice from lapse of time to Metropolitan Engravers is demonstrably ludicrous in light of the fact that Appellant to prove its claim for these years may have to do so through the records or memory of the Appellee Engravers or their employees.

As a matter of law, however, even apart from the factual frivolity of the laches argument, the doctrine ap-

plies in a fraud case such as this only to delay and prejudice following *discovery* of the fraud.

23 Cal. Jur. 2d, "Fraud and Deceit," Sec. 61, p. 151:

"However, under the rule in this state that the limitation of an action for relief on the ground of fraud is governed by the time of discovery, it seems that a plaintiff cannot be charged with laches in delaying the commencement of action after discovery if he sues within the period of limitation and no prejudice is shown to have resulted from his delay. In a case, therefore, where the fraud has been successfully concealed by the perpetrator, no delay in bringing suit, however long, will defeat the remedy, provided the injured party was, during all of the interval, ignorant of the concealed fraud * * *."

In *Dabney v. Philleo*, 38 Cal. 2d 60, 237 P. 2d 648, arising as the case at bar on a judgment of dismissal on the pleadings, the court said a failure for 22 years to discover the fraud was no ground for the invocation of laches (p. 66):

"Since we cannot as a matter of law reject plaintiffs' explanation of their delay in discovering the facts, we conclude that on the face of their pleading their cause of action did not arise until October, 1949. There has been no unreasonable delay and no change in circumstances prejudicial to defendants *since plaintiffs' discovery of the facts*. Therefore, the cause of action does not appear to be barred either by limitations or by laches."

See to the same effect:

Victor Oil Co. v. Drum, 184 Cal. 226, 242, 193 Pac. 243;

Brown v. Oxtoby, 45 Cal. App. 2d 702, 707, 114 P. 2d 622.

As to any laches in the *discovery* of the fraud, the amended complaint alleges in detail the circumstances and date of discovery of the fraud [R. 13-14], and the reasons why it was not earlier discovered [R. 15], to-wit: Appellant's reliance upon the good faith of and confidence in Frank R. Blade and particularly:

"that the formulas and techniques for computing rates for engraving work of the nature herein involved were matters with which plaintiff had no familiarity or knowledge and concerning which plaintiff was compelled to and did rely upon the knowledge, experience, expertness, loyalty and good faith of its said Advertising Manager, the defendant, Frank R. Blade."

There is no question but that under California law in a fraud case seeking recovery beyond the normal period of the statute of limitations it is incumbent upon the plaintiff to allege the circumstances surrounding the discovery of the fraud and why the fraud was not sooner discovered,* but this Appellant did at length in paragraph XI of its Amended Complaint [R. 13-16] and it is entitled to prove and sustain its allegations in a trial upon the facts rather than suffer a summary rejection of its allegations by a judgment on the pleadings.

"Since we cannot as a matter of law reject plaintiffs' explanation of their delay in discovering the facts, we conclude that on the face of their pleading their cause of action did not arise until October, 1949."

Dabney v. Philleo, supra, at p. 66.

**Lady Washington C. Co. v. Wood*, 113 Cal. 482, 486, 45 Pac. 809; *Davis v. Hibernia Sav. Etc. Soc.*, 21 Cal. App. 444, 448, 132 Pac. 462.

The law does not look with favor upon the plea of a person, allegedly party to a conspiracy to defraud, to urge that his fraud should have sooner been discovered.

See *Anderson v. Thacher*, 76 Cal. App. 2d 50, 172 P. 2d 533, in which the following quotation from *Victor Oil Co. v. Drum*, *supra*, appears at page 70:

“The courts will not lightly seize upon some small circumstance to deny relief to a party plainly shown to have been actually defrauded against those who defrauded him on the ground, forsooth, that he did not discover the fact that he had been cheated as soon as he might have done. It is only where the party defrauded should plainly have discovered the fraud except for his own inexcusable inattention that he will be charged with a discovery in advance of actual knowledge on his part.’ ”

In *Mabry v. Randolph*, 7 Cal. App. 421, the court aptly said, page 426:

“It does not lie in the mouth of appellants to complain of the want of promptness of plaintiff in discovering the fraud, and proceeding to rescind, since it was their concealment in violation of their duty to him and his interests which prevented him from knowing the actual conditions at the time of the transaction. Equity rewards the diligent, but this has no application to the diligent in concealment and deceit.”

Conclusion.

In an appeal, arising as this does solely upon the pleadings, we cannot take too seriously pleas of laches and delay in view of the detailed allegations of the amended complaint [R. 13-16] which we seek only an opportunity to prove. We state that there is only one real issue presented upon this appeal and that is whether Sears, Roebuck, having sought to recover from Blade the bribes and commissions he received in the State Court action, thereby forfeited and lost forever its right to proceed against the sellers (Metropolitan Engravers *et al.*) for the allegedly fraudulent overcharges they conspired with Blade to inflict upon the Appellant. The answer is spelled out with clarity and certainty in the cases and authorities we cited in our Opening Brief (pp. 11-23).

That the trial court erred in rendering the judgments it did, there is no doubt. Had counsel of record now representing Appellant on this appeal been present in the lower court on the occasion of the application of Appellees Metropolitan Engravers, Ltd., Metropolitan Mat Service, Inc., Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy for a judgment of dismissal, and the application of Appellee Frank R. Blade for a summary judgment, and on such occasion had the governing authorities cited by Appellant above and in Appellant's Opening Brief been cited and called to the attention of the trial court (which took the opportunity to comment that no authority had been cited to it in support of the contention that the State Court action to recover the secret profits was a

separate and distinct remedy from the present action to recover for the fraudulent overcharges inflicted upon Appellant [R. 74]), we feel confident that the trial court would not have rendered its judgment of dismissal in favor of Appellees Metropolitan Engravers, Ltd., Metropolitan Mat Service, Inc., Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy, and its summary judgment in favor of Frank R. Blade, from which judgments the pending appeal has been taken.

We respectfully submit that the judgments of the trial court should be reversed.

Respectfully submitted,

JOHN L. WHEELER,

NEWLIN, HOLLEY, TACKABURY & JOHNSTON

GEORGE W. TACKABURY,

HUDSON B. COX,

Attorneys for Appellant.

No. 14564

United States
Court of Appeals
for the Ninth Circuit

SEARS, ROEBUCK & CO., a Corporation,
Appellant,
vs.

METROPOLITAN ENGRAVERS, LTD.; MET-
ROPOLITAN MAT SERVICE, INC.;
GREGORY F. DUFFY, AUBREY A.
DUFFY, ALFRED SMUTZ, WALTER C.
DUFFY and FRANK R. BLADE,
Appellees.

Transcript of Record

Appeal from the United States District Court for the
Southern District of California,
Central Division.

FILED

FEB 17 1955

PAUL P. O'BRIEN,
CLERK

No. 14564

United States
Court of Appeals
for the Ninth Circuit

SEARS, ROEBUCK & CO., a Corporation,
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INDEX

[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

	PAGE
Answer of Frank R. Blade to Amended Complaint	28
Ex. A—Complaint Civil No. 593643	38
B—Affidavit for Attachment Against Resident Section 538	40
C—Statement to Clerk on Attachment.	41
D—Writ of Attachment	43
E—Bill of Particulars	45
Certificate of Clerk	99
Complaint, Amended	3
Ex. A—Summary of Payments Covering Billings by Metropolitan Engravers for February 1, 1942, through November 29, 1951	17
B—Summary of Payments Covering Billings by Barnard-Quinn Bros. for September 26, 1949, through November 30, 1951	27
Findings of Fact and Conclusions of Law	87
Judgment of Dismissal	95
Memorandum Opinion	65

INDEX	PAGE
Motion to Dismiss	59
Notice of	58
Motion to Dismiss or for Summary Judgment.	48
Affidavit of Wm. J. Clark	52
Notice of	47
Motion for More Definite Statement of Claim .	56
Notice of	54
Names and Addresses of Attorneys	1
Notice of Appeal	96
Notice of Motion of Defendant Frank R. Blade for Summary Judgment	59
Affidavit of Gerald R. Knudson in Support of Motion	61
Statement of Points	97
Summary Judgment	94

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920 Walter P. Story Bldg.,
610 S. Broadway,
Los Angeles 14, Calif.

In the District Court of the United States, Southern
District of California, Central Division

No. 14079-PH

SEARS, ROEBUCK & CO., a Corporation,

Plaintiff,

vs.

FRANK R. BLADE; METROPOLITAN EN-
GRAVERS, LTD., a Corporation; METRO-
POLITAN MAT SERVICE, INC., a Corpora-
tion; GREGORY F. DUFFY; AUBREY A.
DUFFY; ALFRED SMUTZ; WALTER C.
DUFFY; BARNARD ENGRAVING COM-
PANY, INC., a Corporation; JAMES G.
BARNARD; MARGARET DAVIS; JOHN
DOE; JANE ROE; and JOHN DOE COM-
PANY, a Corporation,

Defendants.

AMENDED COMPLAINT FOR
DAMAGES FOR FRAUD

Plaintiff by leave of Court first had and obtained
files this amended complaint complaining of defend-
ants, and each of them, and alleges:

I.

The jurisdiction of this Court to hear this cause
of action is based upon the original jurisdiction of
this Court to hear "all civil actions where the
amount in controversy exceeds the sum or value of
\$3,000 exclusive of interest and costs and is between

citizens of different states," as provided by Title 28 U.S.C. Section 1332(c) (1). [2*]

II.

That the matter in controversy exceeds the sum or value of \$3,000 exclusive of interest and costs.

III.

That plaintiff is a corporation organized and existing under and by virtue of the laws of the State of New York with its principal place of business in the City of New York. That at all times herein mentioned plaintiff has been engaged in the business of selling general merchandise in retail stores and by mail order. An administrative division of its business which maintains stores in and near the City of Los Angeles, California, is known as the Los Angeles Group. That in the course and conduct of its said business, plaintiff, in its Los Angeles Group of stores, engages and has engaged extensively in newspaper advertising of and concerning the said commodities which it markets and sells, as aforesaid, and in the course of the preparation and composition of such advertisements throughout the period of time herein involved has purchased from the defendants "Engravers" and "Barnard Company" a large number of engravings which were designed to be and were and are used and which the said defendants understood and knew were to be used in the said newspaper advertising of the said commodities. That said engravings were and are used in newspaper and other advertisements.

IV.

That the defendants, Metropolitan Engravers, Ltd. (hereinafter called "Engravers"); Metropolitan Mat Service, Inc. (hereinafter called "Mat Service"); Barnard Engraving Company, Inc. (hereinafter called "Barnard Company"), and John Doe Company, and each of them, is a corporation duly organized and existing under and by virtue of the laws of the State of California and having its principal office and place of business in the City of Los Angeles, California, and within the Southern District of California. That each of the other named defendants is a citizen of the State of California and resident [3] within the Southern District of California. That the defendants, Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy, and each of them, at all times herein mentioned were and now are officers, agents and representatives of defendant "Engravers" and in all of the acts herein complained of acted for and on behalf of said defendant "Engravers." That defendant "Mat Service" at all times herein mentioned was and now is wholly owned and controlled by the same individuals who own and control defendant "Engravers" and at all times had and has the same officers and directors and is in all of its business operations affiliated with and controlled by defendant "Engravers"; all of the acts of the defendant "Mat Service" herein complained of were performed by it as agent and representative of defendant "Engravers." That defendants James G. Barnard, Margaret Davis and John Doe at all

times herein mentioned were and now are officers, agents and representatives of defendant "Barnard Company" and in all of the acts herein complained of they acted for and on behalf of said defendant "Barnard Company."

V.

That for many years, including all times herein mentioned, defendant Frank R. Blade was employed by plaintiff in the capacity of Advertising Manager for the Los Angeles Group of stores owned and operated by plaintiff. That upon accepting such employment, said defendant undertook and agreed and it became his duty to devote his entire time, thought, energy and loyalty during normal business hours to the business of devising, contracting for and supervising advertising of the commodities dealt in by plaintiff, and as a part of such duties he undertook to represent and serve plaintiff in negotiating and contracting for engraving to be done for plaintiff and to be used in connection with its advertising in newspapers, and he undertook as a part of his duties faithfully to serve the interests of plaintiff within the scope of his employment and particularly in connection with the contracts made for advertising and engraving. [4]

VI.

That commencing on or about January 1, 1937, and continuing thereafter throughout the entire period of time until the month of December, 1951, said defendant, Frank R. Blade, as Advertising Manager of the Los Angeles Group of stores owned and operated by plaintiff, negotiated, entered into,

executed and performed contracts with the defendant "Engravers," wherein and whereby said "Engravers" manufactured and sold to plaintiff and plaintiff purchased large quantities of engravings to be used in connection with newspaper and other advertising of plaintiff's commodities. That in the course of the negotiating and the making and execution of said contracts and throughout said entire period of time ending December, 1951, said defendant "Engravers," its officers, agents and representatives above mentioned, and each of them, secretly, fraudulently, unfairly and deceptively conspired and agreed that the defendants "Engravers" and "Mat Service" would pay to, and the defendant Frank R. Blade would receive and accept secret, fraudulent, unfair and deceptive rebates, profits or commissions in the sum of \$400.00 per month in consideration of which said defendant Blade would contract for all engraving to be purchased by the Los Angeles Group of stores owned and operated by plaintiff with said defendant "Engravers" and no other person, firm or corporation, and would permit them to charge and would procure plaintiff to pay them sums of money greatly in excess of the then going price for identical quantities of identical or similar engraving current in the Los Angeles market and at prices substantially in excess of the prices which plaintiff would have been charged by competitors of defendants for like quantities of engraving of like grade and quality. In particular it was agreed between said defendants that plaintiff would be charged and would pay to

said defendant "Engravers" sums of money based upon varying basic prices of \$.033 to \$.044 per unit of engraving, although the fair market price in the Los Angeles area and the prices concurrently charged [5] other purchasers in said area who were competitors of plaintiff for like quantities of engraving of like grade and quality was \$.030, or less; and that, for extra work in connection with such engraving not included in such unit price, equivalent additional charges over and above the fair market price for such extra work would be made by defendant "Engravers" and paid by plaintiff.

VII.

That prior to October 1, 1949, defendant Blade was instructed by plaintiff to contract for part of the engraving for the Los Angeles Group of stores with engraving firms other than the defendant "Engravers." Thereupon the defendants, and each and all of them, contracted, conspired, confederated and agreed with each other that thereafter the engraving business of plaintiff should be divided between the defendants "Engravers" and "Barnard Company" and that no other person, firm or corporation should be allowed or permitted to secure any such business; that such engraving should be done by both of the firms named at the base price of \$.044 per unit and not at the fair market price in the Los Angeles area of \$.030, or less, and that for extra work done, charges would be made at equivalent percentages of increase over the going fair market price thereof. Defendants "Barnard Company," James G. Barnard and Margaret Davis also agreed

with defendant Blade that they would pay him a secret profit or commission amounting to 15% of the gross amount of all monies received from plaintiff for engraving done by defendant "Barnard Company" for said plaintiff. Said agreements were secret, collusive, unfair and deceptive.

VIII.

That from about January 1, 1937, until on or about the 10th day of December, 1951, the agreements and conspiracies set forth in paragraphs V and VI hereof were carried out and executed by the defendants; that during said period of time and pursuant to said agreements and conspiracies all engravings purchased by the [6] advertising department of said Los Angeles Group of plaintiff's stores, excepting those engravings purchased from the defendant "Barnard Company" and hereinafter more particularly identified, were purchased from the defendant "Engravers"; that attached hereto, marked "Exhibit A," and made a part hereof, is a list showing the respective dates and amounts of each such purchase of engravings made by plaintiff from said defendant "Engravers" between February 6, 1942, and November 29, 1951, inclusive; that the total amount so charged by said defendant "Engravers" and paid by plaintiff for engravings purchased by plaintiff from said defendant "Engravers" during said period of time from February 6, 1942, to November 29, 1951, inclusive, was and is the sum of \$563,504.50; that the fair market price and value in the Los Angeles area for such engravings and the price that, except for the aforesaid

agreements, conspiracies and fraud of said defendants, would have been charged plaintiff by said defendant "Engravers" and by others in the engraving business for like quantities of like grade and quality, was the sum of \$421,524.55; that thereby plaintiff was damaged in the sum of \$141,-979.95, no part of which has been paid.

That the dates and amounts of the purchases of engravings made by plaintiff from the defendant "Engravers" during the period of time from on or about January 1, 1937, until on or about February 5, 1942, and the total amount so charged by said defendant "Engravers" and paid by plaintiff for engravings purchased by plaintiff from said defendant "Engravers" during said period of time from on or about January 1, 1937, until on or about February 5, 1942, are not now known by plaintiff, although well known by the defendants, and plaintiff begs leave of this Court to amend its complaint herein to allege such facts and to offer proof thereof as and when ascertained by plaintiff; that plaintiff is informed and believes that the total amount so charged by said defendant "Engravers" and paid by plaintiff for engravings purchased by plaintiff from said defendant "Engravers" [7] during said period of time from on or about January 1, 1937, until on or about February 5, 1942, was in excess of the fair market price and value, and the price that, except for the aforesaid agreements, conspiracies and fraud of said defendants would have been charged plaintiff by said defendant "Engravers" and by others in the engraving business for like

quantities of like grade and quality, but the amount of said excess and the amount of damage suffered by plaintiff by reason thereof are not now known by plaintiff, although well known by the defendants, and plaintiff begs leave of this Court to amend its complaint herein to allege such facts and to offer proof thereof as and when ascertained by plaintiff.

Plaintiff alleges on information and belief that, pursuant to said conspiracies and agreements, said defendants "Engravers," "Mat Service" and its above-named officers, agents and representatives, paid to the defendant Frank R. Blade secret profits, rebates and commissions in sums of \$400.00 per month for each and every month of said period.

IX.

That pursuant to the contracts, agreements, confederations and conspiracies hereinabove set forth in paragraphs VI and VII of this complaint, and during the period of time from on or about October 18, 1949, to on or about November 20, 1951, the defendant "Barnard Company" sold and delivered to plaintiff, and plaintiff purchased from said defendant, a portion of the engravings required by plaintiff during said period of time; that attached hereto, marked "Exhibit B," and made a part hereof, is a list showing the respective dates and amounts of each purchase of engravings made by plaintiff from said defendant "Barnard Company" between October 18, 1949, and November 20, 1951, inclusive; that the total amount so charged by said defendant "Barnard Company" and paid by plaintiff for engravings purchased by plaintiff

from said defendant "Barnard Company" during said period of time from October 18, 1949, to November 20, 1951, inclusive, was [8] and is the sum of \$56,858.81; that the fair market price and value in the Los Angeles area for such engravings, and the price that, except for the aforesaid agreements, conspiracies and fraud of said defendants, would have been charged plaintiff by said defendant "Barnard Company" and others in the engraving business for like quantities of engravings of like grade and quality, was the sum of \$36,837.31; that thereby plaintiff was damaged in the sum of \$20,021.50, no part of which has been paid.

Plaintiff alleges on information and belief that, pursuant to said conspiracies and agreements, defendant "Barnard Company" and its above-named agents, officers, and representatives paid to the defendant Frank R. Blade fraudulent and secret rebates, profits and commissions in a sum equal to 15% of all monies paid by plaintiff to the defendant "Barnard Company" during said period.

X.

That pursuant to the conspiracies and agreements hereinbefore alleged, and in furtherance thereof, the defendants "Engravers," "Mat Service" and their above-named officers, agents and representatives paid to the defendant Blade, and said defendant Blade received and accepted from them money as a commission, compensation, allowance and rebate in sums which plaintiff alleges on information and belief to have been in excess of \$50,000.00; and pursuant to said conspiracies and agreements above

set forth and in furtherance thereof, defendant "Barnard Company" and its above-named officers and agents paid to defendant Blade and said defendant Blade received and accepted money as commission, compensation, allowance and rebate in sums which plaintiff alleges on information and belief to have amounted to the sum of approximately \$8,250.00. Said sums were paid during a period of time when said defendant Blade was, and was known by the defendants to be the employee, agent and representative of plaintiff.

XI.

That plaintiff had no knowledge of the aforesaid agreements [9] and conspiracies between the defendants, hereinbefore more particularly set forth in paragraphs VI to X, inclusive, of this complaint, or of the or any of the aforesaid acts and conduct of the defendants under and pursuant to said agreements and conspiracies, or of the losses and damages suffered by plaintiff as a result of said agreements, conspiracies, acts and conduct of the defendants, as hereinbefore more particularly set forth in paragraphs VIII and IX of this complaint, at any time or times prior to or until on or about the 10th day of December, 1951.

That on or about the 6th day of July, 1951, plaintiff received an anonymous letter, stating that some unidentified person who engaged in purchasing for plaintiff was receiving secret payoffs, rebates or commissions; that said letter did not identify or contain any information from which plaintiff could identify either the person said to be engaged in

purchasing for plaintiff, or the person or persons from whom purchases had been or were being made, or the transaction or transactions involved; that, upon receipt of said letter, plaintiff commenced an investigation for the purpose of ascertaining whether anyone engaged in purchasing for plaintiff was receiving secret payoffs, rebates or commissions and the persons and transactions, if any, involved; that, during the course of said investigation, plaintiff discovered that its employee, the defendant Frank R. Blade had personally received a check in the sum of \$400.00 from the defendant Metropolitan Mat Service; that thereupon and on or about said 10th day of December, 1951, plaintiff questioned said defendant Frank R. Blade about said check and about his dealings with said Metropolitan Mat Service and the other defendants herein and, during the course of said questioning, the said defendant Frank R. Blade for the first time divulged to plaintiff that he had been receiving secret payments, rebates and commissions from the other defendants herein in connection with his purchases of engravings for plaintiff from said other defendants; that plaintiff then [10] investigated the transactions between the said defendant, Frank R. Blade, as Advertising Manager for plaintiff, and the other defendants, and particularly the various contracts for engraving negotiated by its Advertising Manager, the defendant, Frank R. Blade, on behalf of plaintiff with the other defendants herein, and for the first time learned of the excessive and unfair rates and prices for engraving that had been

and were being charged and collected by said other defendants from plaintiff by reason and means of and pursuant to said secret agreements and conspiracies between said defendant, Frank R. Blade, and said other defendants, all as more particularly alleged hereinbefore.

That at all times herein mentioned prior to on or about December 10, 1951, plaintiff believed that its said employee, the defendant, Frank R. Blade, was an experienced and competent Advertising Manager and was loyal and devoted to the business and interests of plaintiff; that at all said times, plaintiff reposed complete confidence in said Frank R. Blade, both with respect to his capability as Advertising Manager and with respect to his loyalty and devotion to its business and interests, and depended and relied upon him with respect to the proper performance of his duties as its Advertising Manager, including the negotiation of contracts for engravings for plaintiff; that the formulas and techniques for computing rates for engraving work of the nature herein involved were matters with which plaintiff had no familiarity or knowledge and concerning which plaintiff was compelled to and did rely upon the knowledge, experience, expertness, loyalty and good faith of its said Advertising Manager, the defendant, Frank R. Blade.

That by reason of its confidence in and reliance upon its said Advertising Manager, the said defendant, Frank R. Blade, and the secrecy of the aforesaid agreements and conspiracies between him and the other defendants herein, and the concealment

by the defendants of the aforesaid payments, rebates and commissions and of the [11] aforesaid excessive and unfair rates and prices charged and collected by them from plaintiff, the plaintiff did not discover or learn or in any way become aware of, and had no knowledge or means of knowing or learning of, the said agreements and conspiracies between the defendants, or the said payments, rebates and commissions, or the said excessive and unfair rates and prices for engraving before or until on or about said 10th day of December, 1951, as aforesaid.

XII.

That in the acts, agreements and conspiracies above set forth the defendants, and each of them, have been guilty of oppression and fraud and they should be required to pay in addition to actual damages, damages for the sake of example and by way of punishment of said defendants.

Wherefore, plaintiff prays judgment against the defendants, and each of them, as follows: For damages in the sum of \$162,001.45, plus interest, and the additional sum of \$250,000.00 as exemplary or punitive damages; for its costs; and for such other and further relief as may be proper in the premises.

JOHN L. WHEELER,
FRESTON & FILES, and
EUGENE D. WILLIAMS,

By /s/ EUGENE D. WILLIAMS,
Attorneys for Plaintiff.

Duly verified.

Affidavit of Service by Mail attached. [12]

EXHIBIT A

Page 1*

Summary of Payments Covering Billings
by Metropolitan Engravers
for the Period
February 1, 1942, Through November 29, 1951

Voucher	Date	Voucher Number	Voucher Amount
February	6, 1942	458955	\$ 1,598.06
"	23, 1942	460931	128.98
March	4, 1942	462540	1,296.62
April	1, 1942	267	1,594.70
"	23, 1942	3925	672.92
"	28, 1942	4227	279.70
May	18, 1942	7378	1,173.99
"	22, 1942	8290	232.97
June	11, 1942	11093	334.60
"	23, 1942	12530	1,158.95
July	15, 1942	15819	771.48
"	21, 1942	16444	472.07
August	17, 1942	19900	419.18
"	17, 1942	19901	641.36
"	24, 1942	20751	345.34
September	15, 1942	23588	1,067.82
"	17, 1942	23968	425.21
October	14, 1942	27512	1,581.91
November	11, 1942	31667	1,942.38
December	9, 1942	35650	1,729.31
"	30, 1942	39077	1,713.22
Total for 1942			<u>\$19,580.77</u>

*Page No. on original copy.

"Exhibit A" Page 2

Voucher Date	Voucher Number	Voucher Amount
January 5, 1943	39527	\$ 702.06
" 30, 1943	43596	1,080.40
February 26, 1943	47186	1,433.22
March 24, 1943	50924	1,200.12
" 26, 1943	51294	534.82
April 20, 1943	54963	409.04
" 23, 1943	55836	721.35
" 19, 1943	54396	345.92
" 20, 1943	54996	382.30
May 5, 1943	57970	284.11
" 17, 1943	59885	356.30
" 19, 1943	60533	853.24
" 21, 1943	61100	506.36
June 15, 1943	64795	1,270.70
" 25, 1943	67169	661.27
" 29, 1943	67813	412.21
July 7, 1943	69354	433.98
" 15, 1943	70789	189.19
" 28, 1943	73122	722.21
August 12, 1943	76448	385.58
" 12, 1943	76450	826.69
" 26, 1943	78568	441.45
September 1, 1943	79887	538.68
" 16, 1943	83320	726.88
" 22, 1943	84797	577.52
October 7, 1943	88683	1,241.94
" 8, 1943	88907	1,113.99
" 7, 1943	88679	781.27
" 27, 1943	94154	793.48
" 27, 1943	94165	642.78
November 1, 1943	95121	1,149.59
" 10, 1943	99343	1,032.18
" 18, 1943	102582	885.07
" 24, 1943	104935	1,301.23
December 2, 1943	108256	626.09
" 17, 1943	115261	928.82
" 28, 1943	118781	526.14
" 29, 1943	119902	766.89

Total for 1943

\$27,785.07

“Exhibit A” Page 3

Voucher Date	Voucher Number	Voucher Amount
January 6, 1944	123061	\$ 296.05
“ 26, 1944	133270	810.32
February 7, 1944	138664	638.58
“ 24, 1944	146794	1,043.76
March 2, 1944	149462	437.01
“ 3, 1944	151638	494.81
“ 16, 1944	155908	299.63
“ 24, 1944	159036	736.75
“ 30, 1944	162646	826.54
April 18, 1944	171205	1,718.59
“ 21, 1944	172643	1,116.03
May 4, 1944	177966	609.28
“ 19, 1944	186112	870.69
“ 19, 1944	186124	1,085.69
June 12, 1944	195894	738.15
“ 14, 1944	198455	1,164.95
“ 23, 1944	202645	879.66
July 13, 1944	212126	1,459.29
“ 20, 1944	216289	436.61
August 10, 1944	225685	1,789.10
“ 11, 1944	225786	251.08
“ 16, 1944	227980	913.17
“ 31, 1944	234869	536.66
September 20, 1944	245372	1,901.99
“ 27, 1944	248934	967.49
October 4, 1944	252793	554.34
“ 13, 1944	258521	1,709.88
“ 30, 1944	265351	406.31
November 3, 1944	268928	1,152.55
“ 3, 1944	269164	920.32
“ 13, 1944	273471	947.01
“ 30, 1944	4900	1,440.06
December 11, 1944	9681	2,203.05
“ 29, 1944	19286	887.23
“ 29, 1944	19426	387.67
Total for 1944		<hr/> \$32,630.30 <hr/>

“Exhibit A” Page 4

Voucher Date	Voucher Number	Voucher Amount
January 29, 1945	35200	\$ 394.66
“ 29, 1945	35359	811.29
February 9, 1945	39885	469.65
“ 20, 1945	44665	1,402.37
March 5, 1945	49790	597.82
“ 14, 1945	54265	398.98
“ 23, 1945	59038	1,063.98
April 3, 1945	63160	235.62
“ 20, 1945	73956	750.87
“ 27, 1945	76971	1,075.56
May 18, 1945	88797	957.70
“ 28, 1945	93036	583.84
June 25, 1945	106847	3,061.37
July 16, 1945	117117	255.61
“ 23, 1945	119978	2,207.91
August 21, 1945	133433	2,016.56
September 17, 1945	145270	1,823.27
October 15, 1945	284236	2,041.97
November 2, 1945	293159	3,727.33
“ 29, 1945	306248	3,178.83
December 28, 1945	320581	1,215.42

Total for 1945

\$28,270.61

"Exhibit A" Page 5

Voucher Date		Voucher Number	Voucher Amount
January	7, 1946	325070	\$ 1,473.13
"	25, 1946	335997	1,564.68
February	21, 1946	351884	2,170.49
"	26, 1946	353563	1,426.85
March	6, 1946	358506	1,922.36
"	26, 1946	369283	1,216.37
April	3, 1946	374004	1,142.48
"	8, 1946	376508	4.59
"	17, 1946	382697	1.88
"	23, 1946	386526	1,835.33
"	27, 1946	389788	967.66
May	13, 1946	398434	1,581.65
"	18, 1946	402919	23.77
"	20, 1946	404291	994.12
"	28, 1946	410320	788.09
June	3, 1946	413067	1.98
"	17, 1946	423387	1,190.24
"	26, 1946	429881	1,514.75
July	16, 1946	442793	755.51
"	19, 1946	444093	1,807.59
August	12, 1946	457755	2,670.72
September	6, 1946	467945	4.30
"	9, 1946	469448	1,624.48
"	16, 1946	473565	2,253.26
October	9, 1946	512875	10.60
"	17, 1946	518154	3,041.20
"	28, 1946	524633	2.62
November	5, 1946	530446	20.46
"	11, 1946	534337	2.62
"	15, 1946	25578	3,137.21
December	18, 1946	30185	3,591.99
"	31, 1946	560238	5,305.00
Total for 1946			<hr/> <hr/> \$44,047.98 <hr/> <hr/>

“Exhibit A” Page 6

Voucher Date		Voucher Number	Voucher Amount
January	31, 1947	578636	\$ 3,027.37
February	12, 1947	33578	1,499.03
March	10, 1947	38576	5,277.13
April	4, 1947	53667	5,839.26
“	30, 1947	72351	4,966.65
May	20, 1947	85389	3,478.26
June	13, 1947	100607	1,935.08
“	18, 1947	103437	1,030.71
“	24, 1947	106637	3,105.51
July	30, 1947	130354	6,922.69
August	19, 1947	143418	3,181.14
September	9, 1947	158518	4,078.63
October	8, 1947	181402	3,110.04
November	13, 1947	213532	4,954.62
December	3, 1947	228333	2,972.05
“	17, 1947	240429	1,716.56
Total for 1947			<hr/> \$57,094.73 <hr/>

“Exhibit A” Page 7

Voucher Date		Voucher Number	Voucher Amount
January	9, 1948	255210	\$ 3,385.77
“	20, 1948	265191	48.25
“	31, 1948	277604	2,412.03
“	31, 1948	277919	542.68
February	19, 1948	292462	50.83
“	24, 1948	296070	2,857.43
“	25, 1948	297696	1,307.99
March	11, 1948	310798	48.50
“	16, 1948	315192	3,683.72
“	26, 1948	326533	1,588.18
April	2, 1948	332555	2,450.17
“	20, 1948	350889	110.71
“	22, 1948	353690	1,887.99
“	30, 1948	362702	3,437.93
May	14, 1948	377587	2,656.58
“	19, 1948	382936	1,538.73
“	28, 1948	391746	2,180.92
June	16, 1948	406683	2,446.29
“	16, 1948	407092	66.85
July	1, 1948	419197	3,865.50
“	7, 1948	423020	2,880.70
“	13, 1948	430117	93.91
“	14, 1948	431002	1,376.88
“	26, 1948	439558	1,020.14
“	30, 1948	444613	568.43
August	13, 1948	455631	6,343.26
September	10, 1948	483662	4,219.64
“	29, 1948	501944	3,966.08
October	7, 1948	511662	1,159.39
“	8, 1948	512032	82.93
“	19, 1948	520827	2,761.18
“	27, 1948	529560	2,314.63
November	4, 1948	535863	2,971.27
“	17, 1948	550185	2,388.48
“	23, 1948	555668	4,061.47
December	3, 1948	565064	3,080.75
“	9, 1948	570821	2,686.16
“	23, 1948	584953	6,361.22
Total for 1948			<u><u>\$84,903.57</u></u>

"Exhibit A" Page 8

Voucher Date		Voucher Number	Voucher Amount
January	7, 1949	597656	\$ 4,493.38
"	19, 1949	604314	94.28
"	28, 1949	612200	6,793.59
February	17, 1949	627490	90.87
"	24, 1949	634769	4,557.66
March	10, 1949	647764	3,849.67
"	17, 1949	649277	92.45
"	25, 1949	662307	4,864.96
April	14, 1949	681632	208.44
"	20, 1949	686261	6,341.95
"	22, 1949	689911	19.91
May	4, 1949	700103	1,301.38
"	17, 1949	711565	97.07
"	20, 1949	716666	7,041.32
"	31, 1949	723277	931.24
June	17, 1949	739557	9,433.85
"	17, 1949	740072	9.51
July	13, 1949	758856	118.50
"	15, 1949	763296	6,876.55
"	21, 1949	767484	4,165.32
August	3, 1949	776955	5,509.33
"	12, 1949	785590	4,406.77
"	16, 1949	787861	86.52
September	1, 1949	802559	3,790.75
"	9, 1949	811048	2,453.62
"	19, 1949	817268	5,241.76
"	30, 1949	828902	330.51
October	7, 1949	837395	913.39
"	18, 1949	844765	5,374.54
November	4, 1949	862672	5,314.44
"	17, 1949	873355	119.00
December	1, 1949	885884	7,335.61
"	8, 1949	891616	111.56
"	13, 1949	895709	298.81
"	29, 1949	908470	5,944.83
"	30, 1949	909439	1,720.77

Total for 1949

\$110,334.11

"Exhibit A" Page 9

Voucher Date		Voucher Number	Voucher Amount
January	13, 1950	918638	\$ 93.17
"	23, 1950	925266	4,250.54
"	31, 1950	934245	1,355.18
February	16, 1950	946049	1,636.23
"	22, 1950	950470	4,260.54
March	9, 1950	963752	1,334.37
"	14, 1950	967649	74.78
"	17, 1950	970948	1,702.52
"	24, 1950	977569	4,749.77
April	6, 1950	987355	2,421.03
"	13, 1950	993232	104.29
"	21, 1950	101431	3,518.33
May	8, 1950	113645	2,896.62
"	16, 1950	121013	121.55
"	18, 1950	123669	4,635.46
"	29, 1950	130978	1,483.09
June	7, 1950	136809	1,611.67
"	15, 1950	143036	3,550.60
"	22, 1950	148275	77.35
July	6, 1950	159668	2,305.11
"	14, 1950	168166	2,924.37
"	26, 1950	174301	678.82
August	10, 1950	184890	3,921.31
"	24, 1950	194422	925.16
September	8, 1950	206655	4,357.09
"	18, 1950	212211	84.80
"	29, 1950	221163	1,633.87
October	6, 1950	227910	4,298.98
"	18, 1950	237626	175.36
"	26, 1950	249912	3,233.41
November	3, 1950	253997	3,311.02
"	10, 1950	258782	158.87
"	15, 1950	262250	1,915.89
"	24, 1950	268825	1,578.37
December	1, 1950	274832	4,238.26
"	14, 1950	283158	3,942.96
"	22, 1950	289841	127.18
"	29, 1950	294093	71.10
"	29, 1950	294575	5,201.38
Total for 1950			<u>\$84,960.40</u>

“Exhibit A” Page 10

Voucher Date		Voucher Number	Voucher Amount
January	25, 1951	314779	\$ 5,068.65
“	31, 1951	319921	954.25
February	15, 1951	329202	928.79
“	23, 1951	336045	2,408.12
March	7, 1951	345152	1,241.92
“	12, 1951	349173	147.88
“	16, 1951	354374	136.32
“	22, 1951	358665	4,661.15
“	29, 1951	364559	62.80
April	17, 1951	381111	5,340.05
“	20, 1951	385337	1,460.48
“	27, 1951	392016	1,806.31
May	9, 1951	402231	2,257.03
“	18, 1951	411516	1,430.22
“	25, 1951	418526	3,361.38
June	11, 1951	431053	106.79
“	18, 1951	438163	5,107.20
“	25, 1951	443378	1,926.76
“	29, 1951	448239	90.31
July	2, 1951	449619	1,686.44
“	13, 1951	461937	2,750.74
“	16, 1951	465033	175.11
“	26, 1951	470947	921.89
August	2, 1951	476961	1,587.43
“	9, 1951	482100	3,706.53
“	21, 1951	491417	206.23
“	22, 1951	493158	3.00
September	5, 1951	505172	5,630.79
“	18, 1951	513444	2,909.81
“	24, 1951	519008	17.69
October	8, 1951	531797	5,908.38
“	29, 1951	554199	4,293.45
November	1, 1951	557753	963.14
“	5, 1951	560193	1,666.94
“	20, 1951	574233	1,338.24
“	29, 1951	581879	1,634.74

Total for 1951

\$73,896.96

EXHIBIT B

Summary of Payments Covering Billings
by Barnard-Quinn Co.
for the Period

September 26, 1949, Through November 30, 1951

Voucher Date	Voucher Number	Voucher Amount
October 18, 1949	844264	\$ 859.88
November 4, 1949	862460	1,244.20
December 13, 1949	895410	1,067.21
January 9, 1950	914295	885.64
February 22, 1950	950161	627.63
March 9, 1950	963784	964.97
April 6, 1950	987389	1,690.91
“ 21, 1950	101508	1,353.91
May 4, 1950	110869	882.75
“ 9, 1950	114174	750.98
“ 29, 1950	131113	851.69
June 15, 1950	143309	986.13
“ 29, 1950	155091	767.77
July 14, 1950	168191	887.32
August 10, 1950	185064	1,242.38
“ 24, 1950	194438	459.28
September 19, 1950	212653	1,479.55
October 18, 1950	237867	1,903.48
November 3, 1950	253768	1,468.91
“ 15, 1950	262162	304.57
December 1, 1950	274863	1,706.53
“ 11, 1950	280281	626.98
“ 29, 1950	294383	402.01
January 31, 1951	319510	1,178.06
“ 12, 1951	302568	666.40
February 23, 1951	335818	1,751.63
March 7, 1951	345308	1,163.55
“ 29, 1951	364508	3,695.27
April 20, 1951	385157	2,759.68
“ 27, 1951	392210	1,538.85
May 25, 1951	418461	3,458.60
June 18, 1951	437912	2,381.79
“ 25, 1951	443218	1,754.85

Voucher Date		Voucher Number	Voucher Amount
July	13, 1951	462008	2,684.18
August	9, 1951	482052	2,449.75
September	10, 1951	508115	2,559.51
October	8, 1951	531812	2,716.65
November	1, 1951	557568	2,201.50
"	20, 1951	574166	483.86
Total			<u>\$56,858.81</u>

Receipt of copy acknowledged.

[Endorsed]: Filed August 21, 1953.

[Title of District Court and Cause.]

ANSWER OF FRANK R. BLADE TO AMENDED COMPLAINT

Defendant Frank R. Blade, for answer to the Amended Complaint for Damages for Fraud, alleges:

I.

Answering defendant denies each and every allegation contained in paragraph II of the amended complaint.

II.

Answering defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph III of the amended complaint with respect to defendants other than this answering defendant.

III.

Answering defendant is without knowledge or information sufficient to form a belief as to the truth

of the allegations contained in paragraph IV of the amended complaint with respect [27] to defendants other than this answering defendant.

Answering defendant admits that he is a citizen of the State of California and a resident within the Southern District of California.

IV.

Answering defendant denies each and every allegation contained in paragraph V of the amended complaint except that answering defendant admits that for many years, including all times mentioned in said amended complaint except the period from June 12, 1942, to August 1, 1943, both inclusive, he was employed by plaintiff with the title of advertising manager of the Los Angeles group of stores owned and operated by plaintiff, and that he undertook as a part of his duties to faithfully serve the interests of plaintiff within the scope of his employment.

V.

Answering paragraph VI of the amended complaint, this answering defendant admits that, as an employee of the Los Angeles group of stores owned and operated by plaintiff, at the request of and under instructions from plaintiff, he, from time to time, sent art work to "Engravers" for the preparation of engravings to be used in connection with newspaper and other advertising of the plaintiff's commodities in the Los Angeles area.

Answering defendant denies each and every other allegation contained in paragraph VI of the

amended complaint except as hereinafter admitted or alleged.

VI.

Answering paragraph VII of the amended complaint, this answering defendant admits that prior to October 1, 1949, he was instructed by plaintiff to send art work to "Barnard Company" and thereafter did send art work to "Barnard Company" for the preparation of engravings to be used in connection with newspaper and other advertising of the plaintiff's commodities in the Los Angeles area.

Answering defendant denies each and every other allegation contained in paragraph VII of the amended complaint except as hereinafter admitted or alleged. [28]

VII.

Answering defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph VIII of the amended complaint with respect to defendants other than the answering defendant.

Answering defendant denies each and every other allegation contained in paragraph VIII of the amended complaint except as herein otherwise admitted or alleged.

VIII.

Answering defendant is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph IX of the amended complaint with respect to defendants other than this defendant.

Answering defendant denies each and every other allegation contained in paragraph IX of the amended complaint except as herein otherwise admitted or alleged.

IX.

Answering defendant denies each and every allegation contained in paragraph X of the amended complaint except as herein otherwise admitted or alleged.

X.

Answering defendant denies, on information and belief, each and every allegation contained in paragraph XI of the amended complaint except that this answering defendant admits that on the 10th day of December, 1951, representatives of the plaintiff inquired of him concerning a check in the amount of \$400.00 which he had received from defendant Metropolitan Mat Service and this answering defendant informed representatives of plaintiff that he had, from time to time, received sums of money from defendants Metropolitan Mat Service, Metropolitan Engravers, Ltd., and Barnard Engraving Company, but this answering defendant alleges that said sums were paid to and received [29] by this answering defendant for reasons and purposes other than those set forth in the amended complaint and were and are known to the plaintiff herein to be in amounts different from those set forth in the amended complaint.

XI.

Answering defendant denies each and every al-

legation contained in paragraph XII of the amended complaint.

Further Answering the Amended Complaint
Herein, Answering Defendant Alleges:

I.

That from time to time, answering defendant received sums of money from Metropolitan Mat Service, Inc.; Metropolitan Engravers, Ltd., and Barnard Engraving Company, Inc., but that said sums were paid to and received by this answering defendant for reasons and purposes other than those set forth in the amended complaint and were in amounts different from those set forth in the amended complaint, and that the exact amounts received by this answering defendant are well known to plaintiff.

For a Further and Second Additional Defense to the Amended Complaint Herein, Answering Defendant Alleges:

I.

That the amended complaint fails to state a claim against the answering defendant upon which relief can be granted.

For a Further and Third Additional Defense to the Amended Complaint Herein, Answering Defendant Alleges:

I.

That all claims of the plaintiff which are based upon acts which are alleged to have been committed by this answering defendant at any time prior to

May 2, 1949, are barred by the [30] provisions of Subsection 1, of Section 339 of the Code of Civil Procedure of the State of California.

For a Further and Fourth Additional Defense to the Amended Complaint Herein, Answering Defendant Alleges:

I.

All claims of plaintiff which are based upon acts which are alleged to have been committed by this answering defendant at any time prior to May 2, 1948, are barred by the provisions of Section 338 of the Code of Civil Procedure.

For a Further and Fifth Additional Defense to the Amended Complaint Herein, Answering Defendant Alleges:

I.

Answering defendant alleges that the rights of action, if any, set forth in the amended complaint in respect to equitable relief sought by plaintiff are barred by laches on the part of the plaintiff.

For a Further and Sixth Additional Defense to the Amended Complaint Herein, Answering Defendant Alleges:

I.

That prior to the filing of the amended complaint herein on August 21, 1953, and prior to the filing of the original complaint herein, on May 2, 1952, and to wit, on December 10, 1951, the plaintiff herein filed a complaint designated "Complaint (For

Money Had and Received)" in the Superior Court of the State of California, in and for the County of Los Angeles, in a proceeding entitled "Sears, Roebuck & Co., a New York corporation, Plaintiff, vs. Frank R. Blade and Nella Blade, Defendants, No. 593,463, of the records of the Clerk of said court, which said action will hereinafter sometimes be referred to as "Superior Court action," by virtue of which the plaintiff seeks to recover from said defendants the sum of \$75,000.00 for moneys allegedly received by the defendants before December 1, 1951, for the use of the plaintiff, and on said December 10, 1951, plaintiff caused a summons to be issued in said action; that a copy of said complaint is hereunto attached marked Exhibit "A," and by this reference thereto incorporated herein and made a part hereof; that the defendant Frank R. Blade named in said complaint is the same person as this answering defendant.

II.

That Subsection I of Section 537 of the Code of Civil Procedure of the State of California provides as follows:

When and actions in which attachment may issue. The plaintiff, at the time of issuing the summons, or at any time afterward, may have the property of the defendant attached, as security for the satisfaction of any judgment that may be recovered, unless the defendant gives security to pay such judgment, as in this chapter provided, in the following cases:

1. (Unsecured claims on contract.) In an action upon a contract, express or implied, for the direct payment of money, where the contract is made or is payable in this State, and is not secured by any mortgage, deed of trust or lien upon real or personal property, or any pledge of personal property, or, if originally so secured, such security has, without any act of the plaintiff, or the person to whom the security was given, become valueless; provided, that an action upon any liability, existing under the laws of this State, of a spouse, relative or kindred, [32] for the support, maintenance, care or necessities furnished to the other spouse, or other relatives or kindred, shall be deemed to be an action upon an implied contract within the term as used throughout all subdivisions of this section.

III.

That at the time the summons was issued in said Superior Court action, as above set forth, the plaintiff caused to be filed therein an Affidavit for Attachment Against Resident, a copy of which is hereunto attached, marked Exhibit "B," and by this reference thereto incorporated herein and made a part hereof.

IV.

That at the time the summons was issued in said Superior Court action as above set forth, the plaintiff caused to be filed therein a Statement to Clerk on Attachment, a copy of which is hereunto attached marked Exhibit "C," and by this reference thereto incorporated herein and made a part thereof.

V.

That at the time the summons was issued in said Superior Court action as above set forth, the plaintiff caused to be issued therein a Writ of Attachment, a copy of which is hereunto attached, marked Exhibit "D" and by this reference thereto incorporated herein and made a part hereof, and caused said attachment to be levied upon property belonging to this answering defendant.

VI.

That thereafter and pursuant to a demand for Bill of Particulars, the plaintiff in said action, Sears, Roebuck & Co., a New York corporation, which is also the plaintiff herein, filed a Bill of Particulars in said Superior Court action, a copy of which is hereunto attached, marked Exhibit "E," and [33] by this reference thereto incorporated herein the same as though fully set forth herein at length.

VII.

That said Bill of Particulars, annexed hereto as Exhibit "E" and incorporated herein, discloses that said Superior Court action is for the same alleged wrong for which the plaintiff seeks to recover by the amended complaint on file herein.

VIII.

That said Superior Court action is now pending in the Superior Court of the State of California, in and for the County of Los Angeles, and the attachment issued in said action and levied upon the prop-

erty belonging to this answering defendant, at all times during the pendency of said Superior Court action, has been and now is in full force and effect against the property of this answering defendant.

IX.

That by the filing of said Superior Court action, the plaintiff herein treated its claims and rights of action, if any, for the wrongs alleged to have been committed in the amended complaint on file herein as claims and rights of actions arising under a contract implied by law and elected a remedy under which it was entitled to and did invoke a provisional remedy afforded by the laws of the State of California in such cases, to wit, the provisional remedy of attachment, to which it would not have otherwise been entitled.

That by virtue of such election and attachment the plaintiff is barred and estopped from maintaining this action.

Wherefore, this answering defendant prays that plaintiff take nothing by its action, and that he may have judgment against plaintiff for his costs.

GERALD R. KNUDSON,
TOBIAS G. KLINGER, and
GERALD R. KNUDSON, JR.,

By /s/ GERALD R. KNUDSON.

Duly verified. [34]

EXHIBIT A

In the Superior Court of the State of California
in and for the County of Los Angeles

Civil No. 593643

SEARS, ROEBUCK AND CO., a New York Corporation,

Plaintiff,

vs.

FRANK R. BLADE and NELLA BLADE,

Defendants.

COMPLAINT

(For Money Had and Received)

Plaintiff for its cause of action alleges:

I.

That at all times herein mentioned, plaintiff was and now is a corporation organized and existing under and by virtue of the laws of the State of New York, duly authorized to do business in the State of California.

II.

That at all times herein mentioned, defendants were and now are residents of the County of Los Angeles, State of California.

III.

That on the 1st day of December, 1951, the defendants were indebted to plaintiff in the sum of Seventy-five Thousand Dollars (\$75,000.00), for

moneys before that time received by defendants for the use of plaintiff and being so indebted to defendants, in consideration thereof, then and there promised the [36] plaintiff to pay to it the said sum of money on request.

IV.

That the defendants, though requested, have not paid the said sum of Seventy-five Thousand Dollars (\$75,000.00), or any part thereof to the plaintiff, but refuse to do so.

Wherefore, plaintiff prays judgment against the defendants in the sum of Seventy-five Thousand Dollars (\$75,000.00), together with interest thereon from the 1st day of December, 1951, for the costs of this action and for such other and further relief as may by the court be deemed just and proper.

/s/ JOHN L. WHEELER,
Attorney for Plaintiff.

Duly verified. [37]

EXHIBIT B

In the Superior Court of the State of California
in and for the County of Los Angeles
Civil No. 593643

SEARS, ROEBUCK AND CO., a New York Corporation,

Plaintiff,

vs.

FRANK R. BLADE and NELLA BLADE,

Defendants.

AFFIDAVIT FOR ATTACHMENT
AGAINST RESIDENT—SECTION 538

State of California,
County of Los Angeles—ss.

Russell G. Curry being sworn, says:

I am the Assistant Secretary of Sears, Roebuck and Co., Plaintiff herein; that the Defendants herein are indebted to plaintiff, Sears, Roebuck and Co., a New York corporation, in the sum of Seventy-five Thousand (\$75,000.00) Dollars, of the United States, besides interest at the rate of 6 per cent per annum from the 1st day of December, 1951, over and above all legal setoffs, and counter-claims, upon an implied contract, for the direct payment of money, to wit: said defendants are indebted to plaintiff in the sum of \$75,000.00 for moneys had and received by the defendants for the use and benefit of the plaintiff at the agreed sum of \$75,000.00 and costs of suit, and that such contract was made or is payable in this

state, and that the payment of the same has not been secured by any mortgage, deed of trust, or lien upon real estate or personal property, or any pledge of personal [39] property.

That the attachment is not sought, and the action is not prosecuted to hinder, delay or defraud any creditor or creditors of the said defendant, or any creditor or creditors of any or either of said defendants.

R. G. CURRY.

Subscribed and sworn to before me this 4th day of December, 1951.

FLORENCE A. LaBELLE,

My commission expires Feb. 1, 1952. [40]

EXHIBIT C

In the Superior Court of the State of California
in and for the County of Los Angeles

Civil No. 593643

SEARS, ROEBUCK AND CO., a New York Corporation,

Plaintiff,

vs.

FRANK R. BLADE and NELLA BLADE,

Defendants.

STATEMENT TO CLERK ON ATTACHMENT

Harold J. Ostly, County Clerk:

Whereas, the plaintiff has commenced, or is about

to commence an action in the Superior Court of the County of Los Angeles, against the defendants upon an implied contract for the direct payment of money, claiming that there is due to the plaintiff from the defendants the sum of Seventy-five Thousand Dollars; and having filed an affidavit for, and a bond on, attachment, requests that a Writ of Attachment issue herein directed to the Sheriff of the County of Los Angeles, State of California. It is the intention of Plaintiff to instruct the Sheriff to levy writ upon the following described property belonging to defendants to wit: Bank Accounts in the names of Frank R. Blade and/or Nella Blade and the personal property in the safe deposit box in the names of Frank R. Blade and/or Nella Blade located in the Soto-Hostetter Branch of the Bank of America NT&SA, Los Angeles, California, and that a bond of \$11,000.00 will give defendants ample protection against an abuse of this process.

Dated 4th day of December, 1951.

JOHN L. WHEELER,

Attorney for Plaintiff. [41]

EXHIBIT D

In the Superior Court of the State of California in
and for the County of Los Angeles

No. 593643

SEARS, ROEBUCK AND CO., a New York Corporation,

Plaintiff,

vs.

FRANK R. BLADE and NELLA BLADE,

Defendants.

WRIT OF ATTACHMENT

The People of the State of California Send Greetings to:

The Sheriff, Marshal, or Constable of the County of Los Angeles.

Whereas, the above-entitled action was commenced by Plaintiff in the Superior Court of the County of Los Angeles to recover from the Defendants Frank R. Blade and Nella Blade the sum of Seventy-Five Thousand (\$75,000.00) Dollars, of the United States, besides interest at the rate of 6 per cent per annum from the first day of December, 1951, being moneys had and received by the defendants for the use and benefit of the plaintiff on an implied contract to repay, and costs of suit; and an affidavit for, and undertaking on, attachment, have been filed as requested by law.

Now, you are commanded to attach and safely keep all property of such Defendants Frank R. Blade and Nella Blade within your County, not exempt from execution, or so much thereof as may be sufficient to satisfy the Plaintiff's demand against such Defendants [42] unless such Defendants give you security, by the undertaking of at least two sufficient sureties, which first must be approved by a Judge of the Superior Court of this County or by a Judge of the Superior Court of the county where the levy shall have been made or is about to be made, or deposit a sum of money with you in an amount sufficient to satisfy such demand against such Defendants, besides costs, or in an amount equal to the value of the property of such Defendants, which has been or is about to be attached; in which case you will take such undertaking or sum of money, and hereof make service and return.

Witness the Honorable and Presiding Judge of the Superior Court, attested by my hand and seal of said Court this . . day of December, 1951.

December 10, 1951.

HAROLD J. OSTLY,
County Clerk and Clerk of the Superior Court of
the State of California, in and for the County
of Los Angeles.

[Seal]

By K. MEACHER,
Deputy. [43]

EXHIBIT E

In the Superior Court of the State of California in
and for the County of Los Angeles

No. 593,643

SEARS, ROEBUCK AND CO., a New York Corporation,

Plaintiff,

vs.

FRANK R. BLADE and NELLA BLADE,

Defendants.

BILL OF PARTICULARS

In answer to the demands of defendants for a bill of particulars in the above-entitled action, the plaintiff states the particulars of its claim as follows:

Secret profits received by Defendant Frank R. Blade for and on account of Sears, Roebuck and Co., but not accounted for or paid over to said company as follows:

(a) Sums amounting to Four Hundred Dollars (\$400.00) per month received by Frank R. Blade from January, 1937, to October, 1951, inclusive, a period of one hundred sixty-six months, from Metropolitan Engravers, Ltd., a corporation, and Metropolitan Mat Service, Inc., amounting to Sixty-Six Thousand, Four Hundred Dollars (\$66,400.00).

(b) Sums received from Barnard Engraving Company (formerly known as Barnard-Quinn Co.)

during the period from September, 1949, to and including November 1, 1951, amounting to [44] Eight Thousand, Five Hundred Eleven and 50/100 Dollars (\$8,511.50).

(c) Sums received from East Los Angeles Tribune and Gazette, Fleetwood Publishing Co., and Southern California Publishing Company, in the period between June 26, 1951, and October 3, 1951, amounting to Six Hundred Fifty-Seven and 64/100 Dollars (\$657.64); making a total of Seventy-Five Thousand, Five Hundred Sixty-Nine and 14/100 Dollars (\$75,569.14).

The above amounts were received by said Frank R. Blade for the account of plaintiff but were not reported to plaintiff or accounted for by said Blade, and plaintiff did not ascertain that said sums had been paid to and received by said Blade until the month of December, 1951. Plaintiff is making audits of the accounts of Frank R. Blade and Nella Blade and the several companies above named. The above statement is the presently provable amount of profits received by said Frank R. Blade, portions of which have been traced into stocks and bonds now standing in the names of said defendants, and in bank accounts (check and savings), which stand in the names of said defendants, and one of which is in the name of the defendant Nella Blade. Present research indicates that the above amounts will be substantially increased as present evidence now being obtained is analyzed, and plaintiff will at the appropriate time seek to amend its complaint to

allege such further and additional amounts as may ultimately appear to be owing.

Dated: This 10th day of January, 1952.

SEARS, ROEBUCK AND CO., a
Corporation,

By /s/ R. G. CURRY,
Assistant Secretary.

Duly verified.

Affidavit of Service by Mail attached.

[Endorsed]: Filed December 2, 1953. [45]

[Title of District Court and Cause.]

NOTICE OF MOTION

To John L. Wheeler, Freston & Files and Eugene
D. Williams, Attorneys for the Plaintiff:

You and Each of You will Please Take Notice that the undersigned will bring on for hearing, on Monday, the 29th day of March, 1954, at 10:00 a.m., or as soon thereafter as counsel can be heard, before the above-entitled court, in the courtroom of the Honorable Peirson M. Hall, judge thereof, located in the Post Office Building, Los Angeles, California, a motion to dismiss or for summary judgment, in behalf of the defendants Metropolitan Engravers, Ltd.; Metropolitan Mat [48] Service, Inc.; Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz, and Walter C. Duffy.

Copies of the foregoing motion in writing, the affidavit of William J. Clark, and the points and authorities in support thereof, are being served and filed concurrently with the service and filing of this notice of motion.

Said motion will be made on the ground set out in the written motion and will be based on this notice, the memoranda of authorities, the affidavit of William J. Clark, and all papers, records, pleadings and files in this action.

Dated: March 9, 1954.

/s/ NATHAN M. DICKER,
Attorney for Defendants
Above Named.

[Endorsed]: Filed March 12, 1954. [49]

[Title of District Court and Cause.]

MOTION TO DISMISS OR FOR SUMMARY JUDGMENT

The Defendants Metropolitan Engravers, Ltd.; Metropolitan Mat Service, Inc.; Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy move the Court as follows:

1. To dismiss the action because the amended complaint fails to state a claim against any defendant upon which relief can be granted; or,
2. In the alternative, to grant defendants a sum-

mary judgment, upon the ground that there is no genuine issue as to any material fact and that defendants are entitled to a judgment as a matter of law. [50]

3. Said motion to dismiss will be made upon the additional grounds that it appears affirmatively upon the face of the amended complaint that plaintiff's cause of action is barred by the provisions of subdivision (1) of section 338 of the Code of Civil Procedure; and it further appears upon the face of the amended complaint that plaintiff has been so lacking in diligence in prosecuting its claim as to bar it from relief.

4. That said motion to dismiss will be made upon the additional ground that plaintiffs have failed to set forth each contract sued upon in a separate count, and that a separate statement of each contract is necessary to enable defendants to set up the defenses which they have.

5. Said motion for summary judgment will be made upon all of the grounds hereinabove stated and upon additional grounds that upon a state of **facts** which cannot be and is not disputed, **defendants** are entitled to judgment as a matter of law.

6. Both of said motions will be made upon the additional grounds that heretofore on December 10, 1951, the plaintiff herein filed a complaint for money had and received, in which complaint Frank R. Blade and Nella Blade were named as defendants; that there was filed in said action on or about

the 10th day of December, 1951, an affidavit for attachment against said defendants signed by R. G. Curry (Russell G. Curry), who stated therein that he was an assistant secretary of plaintiff. That there was also filed on or about the same date a statement to the Clerk on attachment signed by John L. Wheeler, who is the attorney for plaintiff. That thereupon a writ of attachment was issued in said action and property levied upon belonging to said defendants. That in response to a demand for bill of particulars the plaintiff filed in said action its bill of particulars. [51]

It specified as a part of plaintiff's demand sums amounting to \$400.00 per month received by Frank R. Blade during a period of 165 months and paid by Metropolitan Engravers, Ltd., and Metropolitan Mat Service, Inc., and also sums received from Barnard Engraving Co., from September 19, 1949, to November 1, 1951, amounted to \$8,550.00. That by filing said complaint and procuring the issuance of said writ of attachment the plaintiff herein treated its claims and rights of action as arising under a contract implied by law and elected a remedy by way of contract implied by law arising out of the alleged wrong here claimed and inconsistent with the claim asserted herein. That by so doing the plaintiff elected to and did waive its right to damages for fraud or wrong and elected in lieu thereof to pursue its remedy upon an implied contract and to avail itself of the provisional remedy of attachment to which it would not have been enti-

tled if it had elected to sue for damage; that by reason of said election the plaintiff is estopped from maintaining this action and the said motion to dismiss and said motion for summary judgment will be made upon this notice, the memorandum of authorities, and the affidavits attached hereto.

The said motion to dismiss and also the said motion for summary judgment will be made upon the additional ground that by reason of the lapse of time, the death of witnesses, and the natural failure of memory and loss of evidence, that it is impossible for defendants to establish their defense as they could have done if the said action had been brought with reasonable diligence, and that by reason of the plaintiff's laches and lack of diligence material evidence which otherwise would be available is irrevocably lost to defendants as is more fully made to appear by the affidavit of Aubrey Duffey heretofore filed and to which reference is hereby made.

/s/ NATHAN M. DICKER,
Attorney for Defendants Metropolitan Engravers,
Ltd.; Metropolitan Mat Service, Inc., et al.

[Endorsed]: Filed March 12, 1954. [52]

[Title of District Court and Cause.]

AFFIDAVIT OF WM. J. CLARK

State of California,

County of Los Angeles—ss.

William J. Clark, being first duly sworn, deposes and says:

I am an attorney at law, duly licensed as such under the law of the State of California, and am now and for a long time past have been so engaged in the County of Los Angeles, State of California.

There is pending in the Superior Court of the State of California in and for the County of Los Angeles, a certain action [53] wherein, Sears, Roebuck & Co., a New York corporation, is plaintiff and Frank R. Blade and Nella Blade are defendants, the action bearing Civil Number 593,643.

Said action is for money had and received. It was commenced by filing the complaint on December 10, 1951, and there was filed in said action an affidavit for attachment sworn to by Russell G. Curry on the 4th day of December, 1951, the name Russell G. Curry being written out in the body of the affidavit, and the signature being R. G. Curry.

There was also filed in said action a statement to the Clerk on attachment which was dated the 4th day of December, 1951, and signed by John L. Wheeler, attorney for plaintiff, the said John L. Wheeler being one of the attorneys for the plaintiff herein.

There was issued a writ of attachment in said action and levy was made thereunder. The said writ has never been discharged and the said action is now pending.

There was a demand for a bill of particulars served and filed by the defendants in said action, and a bill of particulars dated the 10th day of January, 1952, is in the files in said action. The plaintiff therein stated the particulars of his claim as including "sums amounting to \$400.00 per month received by Frank R. Blade from January, 1937, to October, 1951, inclusive, a period of 166 months, from Metropolitan Engravers, Ltd., a corporation, and Metropolitan Mat Service, Inc., amounting to \$66,400.00," and "sums received from Barnard Engraving Company, Inc. (formerly known as Barnard-Quinn Company), during the period from September, 1949, to and including November 1, 1951, amounting to \$8,511.50."

I have compared the original of the papers herein mentioned with copies attached to a copy of the answer of Frank R. Blade to the amended complaint herein, and I have found that the copies so attached to said answer are true and correct copies of the [54] originals contained in the file of said action, which said file is in the office of the County Clerk of the County of Los Angeles, State of California.

In an affidavit in said file resisting a motion for summary judgment R. G. Curry swore that of his

own knowledge and from information gained from Frank R. Blade and inspection and analysis of plaintiff's accounts that Blade was paid for a period from January, 1937, to October, 1951; that Blade was paid secret profits by these defendants in monthly sums amounting to \$66,400.00; alleges on information and belief that he has received from the corporations named, including defendant corporation, additional sums, the exact amount of which is unknown to affiant.

Dated this 17th day of February, 1954.

/s/ WM. J. CLARK.

Subscribed and Sworn to before me this 17th day of February, 1954.

[Seal] /s/ VERONA TAFT,
Notary Public in and for the County of Los Angeles, State of California.

[Endorsed]: Filed March 12, 1954. [55]

[Title of District Court and Cause.]

NOTICE OF MOTION FOR MORE
DEFINITE STATEMENT

To John L. Wheeler, Freston & Files and Eugene D. Williams, Attorneys for the Plaintiff:

You and Each of You Will Please Take Notice that the undersigned will bring on for hearing, on Monday, the 29th day of March, 1954, at 10:00 a.m.,

or as soon thereafter as counsel can be heard, before the above-entitled court, in the courtroom of the Honorable Peirson M. Hall, judge thereof, located in the Post Office Building, Los Angeles, California, a motion for a more definite statement of plaintiff's claim, in behalf of the defendants Metropolitan Engravers, Ltd.; Metropolitan Mat Service, Inc.; Gregory F. Duffy, Aubrey A. Duffy, Alfred [76] Smutz, and Walter C. Duffy.

Copies of the foregoing motion in writing and the points and authorities in support thereof, together with copy of this notice, are being served and filed concurrently with the filing of this notice of motion.

Said motion for a more definite statement will be made on the grounds set out in said motion and will be based on this notice, the memorandum of authorities attached hereto, and all papers, records, pleadings and files in this action.

Dated: March 9, 1954.

/s/ NATHAN M. DICKER,
Attorney for Defendants
Above Named.

[Endorsed]: Filed March 12, 1954. [77]

[Title of District Court and Cause.]

MOTION FOR MORE DEFINITE
STATEMENT OF CLAIM

The defendants Metropolitan Engravers, Ltd.; Metropolitan Mat Service, Inc.; Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz, and Walter C. Duffy, move for a more definite statement of plaintiff's claim.

In paragraph VIII (page 5, lines 28, 31) of plaintiff's amended complaint, plaintiff alleges that from January 1, 1937, until on or about the 10th day of December, 1951, the agreements and conspiracies set forth in paragraphs V and VI thereof were carried out and executed by the defendants, but except for the allegations of payments made by defendant Engravers, it cannot be ascertained what acts or things were done in carrying out said conspiracy or [78] who the parties were who did each specific act.

They point out in paragraph IV of plaintiff's amended complaint that "all of the acts of defendant 'Mat Service' herein complained of were performed by it as agent and representative of defendant 'Engravers,'" but it cannot be ascertained from said amended complaint what acts or things were done by defendant Mat Service or that any acts or things were done by it other than that it conspired with defendant Engravers to pay Frank R. Blade rebates, profits or commissions. It is alleged that the officers and agents of defendant Mat Company were also the officers and agents of defendant Engravers, and it is also alleged that in

its business operation it is also alleged that in its business operation it is controlled by defendant Engravers.

These defendants do not understand how, if at all times the two corporations had the same officers and directors, the said officers and directors could conspire with themselves as principal for one company and agent for the other. Nor can it be understood by these defendants who the officers and agents of defendant Mat Company are who are alleged so to have conspired, and therefore defendants have no means of knowing whether they be dead or alive, it appearing from the affidavit of Mr. Aubrey Duffy, now on file herein, that two such officers are now dead.

If, as alleged in paragraph VI of said amended complaint, the officers, agents and representatives of defendant Engravers conspired to pay Blade rebates, profits or commissions, we cannot ascertain from said amended complaint which of the said corporations was to pay said sum, or whether the payments were to be divided between the two corporations; nor can it be ascertained that the said persons in so conspiring were acting within the scope of their authority as officers [79] of Engravers, or that they were acting within the scope of their authority as officers of defendant Mat Service.

/s/ NATHAN M. DICKER,

Attorney for Said Defendants.

[Endorsed]: Filed March 12, 1954. [80]

[Title of District Court and Cause.]

NOTICE OF MOTION TO DISMISS

To the Above-Named Plaintiff, and to John L. Wheeler, Freston & Files, Eugene D. Williams, Esquires, Attorneys for Said Plaintiff:

You and Each of You Will Please Take Notice:

That the defendant Metropolitan Mat Service, Inc., for itself, and not for any of its co-defendants, will on the 29th day of March, 1954, at 10:00 o'clock a.m., of said day, or as soon thereafter as counsel can be heard, at the courtroom of Hon. Peirson M. Hall, Judge of said District Court, move the court to dismiss the above-entitled action as to this defendant.

The said motion will be made upon the grounds and for the reason that the plaintiff's amended complaint does not state [86] facts sufficient to constitute a claim against this defendant, and that said amended complaint does not state a claim showing that plaintiff is entitled to any relief as to this defendant.

Said motion to dismiss will be made upon this notice, the memorandum of authorities attached hereto, and the papers, pleadings, files and records in this action.

/s/ NATHAN M. DICKER,
Attorney for Defendant Metropolitan Mat Service,
Inc.

[Endorsed]: Filed March 12, 1954. [87]

[Title of District Court and Cause.]

MOTION TO DISMISS

Comes Now defendant Metropolitan Mat Service, Inc., one of the defendants herein, and moves to dismiss the above-entitled action as to this defendant upon the grounds and for the reasons that plaintiff's amended complaint does not state facts sufficient to constitute a claim against this defendant, and that said amended complaint does not state a claim showing that plaintiff is entitled to any relief as to this defendant.

Dated this 10th day of March, 1954.

/s/ NATHAN M. DICKER,

Attorney for Defendant Metropolitan Mat Service, Inc.

[Endorsed]: Filed March 12, 1954. [88]

[Title of District Court and Cause.]

NOTICE OF MOTION OF DEFENDANT
FRANK R. BLADE FOR SUMMARY
JUDGMENT

To Plaintiff, Sears, Roebuck & Co., and John L. Wheeler; Freston & Files and Eugene D. Williams, Its Attorneys:

You, and Each of You, Will Please Take Notice that on the 26th day of April, 1954. at 10 o'clock a.m., or as soon thereafter as counsel can be heard, the defendant, Frank R. Blade, will move the above-entitled Court in the courtroom of Honorable Peirson M. Hall, United States Post Office and Courthouse Building, 312 North Spring Street, Los

Angeles, California, for an order, pursuant to Rule 56 (b) of the Federal Rules of Civil Procedure, granting a summary judgment in favor of defendant Frank R. Blade, dismissing the action as to him, on the ground that there is no genuine issue as to any material fact and that defendant Frank R. Blade is entitled to a judgment as a matter of law, in that, as set forth in this defendant's Sixth Affirmative Defense, plaintiff has heretofore elected to pursue a separate, inconsistent remedy [97] against this defendant and is estopped and precluded from proceeding with this action.

Said motion for summary judgment will be based upon:

(a) The pleadings on file in this action, particularly the Sixth Affirmative Defense set forth in this defendant's Answer to Amended Complaint;

(b) The affidavit of Gerald R. Knudson, Esq., attached hereto as Exhibit A;

(c) The points and authorities filed herewith in support of this motion for summary judgment;

(d) All of the records, papers, and documents now on file in the above-entitled action.

Dated: April 12, 1954

KNUDSON, WOLFE &

KNUDSON,

TOBIAS G. KLINGER,

By /s/ GERALD R. KNUDSON,

By /s/ TOBIAS G. KLINGER,

Attorneys for Defendant,
Frank R. Blade.

[Title of District Court and Cause.]

AFFIDAVIT OF GERALD R. KNUDSON IN
SUPPORT OF MOTION OF DEFENDANT
FRANK R. BLADE FOR SUMMARY
JUDGMENT

State of California,
County of Los Angeles—ss.

Gerald R. Knudson, being first duly sworn, deposes and says:

That affiant is an attorney at law duly admitted to practice in all of the courts of the State of California and before the above-entitled court; that he is one of the attorneys of record in the above-entitled action for the defendant Frank R. Blade; that this affidavit is made on behalf of said defendant in support of his motion for summary judgment.

That prior to the filing of the amended complaint herein, on August 21, 1953, and prior to the filing of the original complaint herein, on May 2, 1952, namely, on December 10, 1951, the plaintiff herein, Sears, Roebuck, and Co., filed a complaint designated [97] "Complaint (For Money Had and Received)" in the Superior Court of the State of California, in and for the County of Los Angeles, in a proceeding entitled "Sears, Roebuck and Co., a New York corporation, Plaintiff, vs. Frank R. Blade and Nella Blade, Defendants"; that said action is number 593463 on the records of the Clerk of said Court; that said action will hereinafter be referred to as the "Superior Court action"; that by virtue of

said Superior Court action, the plaintiff Sears, Roebuck and Co., seeks to recover from said defendants the sum of \$75,000 for moneys allegedly received by said defendants before December 1, 1951, for the use of the plaintiff; that on said December 10, 1951, the plaintiff Sears, Roebuck and Co. caused a summons to be issued in said action; that a copy of the said complaint filed by Sears, Roebuck and Co. in the Superior Court action is attached to the answer filed herein by the defendant Frank R. Blade, and is marked Exhibit A, and by this reference thereto is incorporated in this affidavit and made a part hereof; that the defendant Frank R. Blade named in said complaint and amended complaint in the aforesaid Superior Court action, is the same person as the answering defendant Frank R. Blade in this proceeding in the United States District Court, and on whose behalf the instant motion for summary judgment is filed.

That at the time the summons was issued in said Superior Court action, the plaintiff Sears, Roebuck and Co. caused to be filed therein an Affidavit for Attachment Against Resident, a copy of which is attached to the answer of this defendant to the amended complaint, marked Exhibit B, and by this reference is incorporated herein and made a part hereof; that said Affidavit for Attachment Against Resident was prepared and sworn to by Russell G. Curry, the Assistant Secretary of plaintiff Sears, Roebuck and Co., and declares that the defendants in said Superior Court action are indebted to Sears,

Roebuck and Co. in the sum of \$75,000 together with interest thereon at the rate of 6% per annum from December 1, 1951, upon an implied contract for the direct payment of money, that the defendants, including this defendant, were indebted to plaintiff in said sum for moneys had and received for the use and benefit of the plaintiff, that such contract was made or is payable in California, and that the payment of said contract was without security.

That at the time the summons was issued in said Superior Court action, the plaintiff Sears, Roebuck and Co. caused to be filed therein a Statement to Clerk on Attachment, a copy of which is attached to the answer of defendant Frank R. Blade herein, to the amended complaint herein, marked Exhibit C, and by this reference incorporated herein and made a part hereof; that said Statement to Clerk on Attachment was prepared and executed by John L. Wheeler, Esq., attorney for plaintiff Sears, Roebuck and Co. in said Superior Court action, and stated among other things, that plaintiff had commenced, or was about to commence an action in the Superior Court of the County of Los Angeles, against the defendants, including this defendant, upon an implied contract for the direct payment of money and claiming that there was due to the plaintiff from said defendants the sum of \$75,000.

That at the time summons was issued in said Superior Court action, the plaintiff Sears, Roebuck and Co. caused to be issued therein a Writ of Attachment, a copy of which is attached to the answer

of defendant Frank R. Blade to the Amended Complaint herein, and by this reference incorporated herein and made a part hereof; that plaintiff Sears, Roebuck and Co. caused said attachment to be levied upon substantial personal property belonging to the defendant Frank R. Blade.

That thereafter, and pursuant to a demand for a Bill of Particulars made by the defendants in said Superior Court action, the plaintiff Sears, Roebuck and Co., which is also the plaintiff in this action, filed a verified Bill of Particulars in said Superior Court action, a copy of which is attached to the answer of defendant Frank R. Blade to the amended complaint herein, marked Exhibit E, and by this reference incorporated herein and made a part hereof; that said Bill of Particulars filed by plaintiff Sears, Roebuck and Co., and sworn to by R. G. Curry, Assistant Secretary of said Corporation, discloses that the Superior Court action arises from and is based upon the same alleged transactions for which Sears, Roebuck and Co. seeks to recover by the amended complaint on file in this court; that said Superior Court action, since its commencement on December 10, 1951, at all times has been, and now is, pending in the Superior Court of the State of California, in and for the County of Los Angeles, and the attachment issued in said action and levied upon property belonging to the defendant Frank R. Blade, has been at all times during the pendency of said Superior Court action, and now is, in full force and effect against the said property of defendant Frank R. Blade.

Dated this 12th day of April, 1954.

/s/ GERALD R. KNUDSON.

Subscribed and sworn to before me this 12th day of April, 1954.

[Seal] /s/ ESTHER LOPEZ,

Notary Public in and for the County of Los Angeles,
State of California.

[Endorsed]: Filed April 15, 1954. [102]

[Title of District Court and Cause.]

MEMORANDUM OPINION

The original complaint in this matter was filed on May 2, 1952. It was in three causes of action: the first for alleged liability under the Sherman Act; the second for alleged liability under the Clayton Act, and the third a count for damages for fraud.

Upon motions to dismiss, an order was made sustaining the motion to dismiss without leave to amend as to the first and second causes of action and sustaining the motion to dismiss as to the third cause of action with leave to amend, (see *Sears, Roebuck v. Blade*, 110 F.Supp. 96). After the filing of that memorandum, in February, 1953, appeal was taken by the plaintiffs but later abandoned, and on August 21, 1953, the plaintiff filed an amended complaint for damages for fraud in one cause of action.

The matter is before the court on a motion for summary judgment by defendant Blade, and on motions of the other defendants to dismiss or in the alternative for summary [156] judgment.

By its amended complaint the plaintiff seeks to recover damages for fraud from Blade (its former employee for many years), Metropolitan Engravers, Ltd., a corporation; Metropolitan Mat Service, Inc., another corporation; Gregory F. Duffy, Aubrey A. Duffy, and Walter Duffy, and Alfred Smutz, officers and directors of those two corporations, and Barnard Engraving Company, Inc., a corporation, and James G. Barnard and Margaret Davis, alleged to be the officers, agents and representatives of the Barnard Company.

The substance of the plaintiff's cause of action is alleged to be as follows: defendant Blade was employed by the plaintiff in the capacity of Advertising Manager for what it refers to as its Los Angeles Group of stores; as part of his duties as such Advertising Manager, he was required to negotiate and contract for the engraving of material which was to be used, and was used, by the plaintiff in connection with its advertising in newspapers; that from January 1, 1937, until the month of December, 1951, defendant Blade entered into and executed many contracts with the defendant Metropolitan Engravers, which company, in turn manufactured engravings which were sold to, and used by, the plaintiff in its newspaper advertising; that throughout the entire period the defendant Metro-

politan Engravers and its officers and agents "secretly, fraudulently, unfairly and deceptively conspired and agreed that the defendants 'Engravers' and 'Mat Service' would pay to the defendant Frank R. Blade, would receive and accept secret, fraudulent, unfair and deceptive rebates, profits or commissions in the sum of \$400.00 per month in consideration of which said defendant Blade would contract for all engraving to be purchased by [157] the Los Angeles Group of stores owned and operated by plaintiff with said defendant 'Engravers' and no other person, firm or corporation, and would permit them to charge and would procure plaintiff to pay them sums of money greatly in excess of the then going price for identical quantities of identical or similar engraving current in the Los Angeles market and at prices substantially in excess of the prices which plaintiff would have been charged by competitors of defendants for like quantities of engraving of like grade and quality. In particular it was agreed between said defendants that plaintiff would be charged and would pay to said defendant 'Engravers' sums of money based upon varying basic prices of \$.033 to \$.044 per unit of engraving, although the fair market price in the Los Angeles area and the prices concurrently charged other purchasers in said area who were competitors of plaintiff for like quantities of engraving of like grade and quality was \$.030, or less; and that, for extra work in connection with such engraving not included in such unit price, equivalent additional charges over and above the fair market price for

such extra work would be made by defendant 'Engravers' and paid by plaintiff."

It is further alleged in the complaint that prior to October 31, 1949, defendant Blade was instructed by plaintiff to contract for part of the engraving for the Los Angeles Group of stores with engraving firms other than the defendant Metropolitan Engravers; that thereupon the defendants and each and all of them, further contracted and agreed among themselves that the engraving business of the plaintiff should be divided between the defendant Metropolitan Engravers and the Barnard Company, and that no other person, firm or corporation should be allowed or permitted to secure any [158] such business; that the base price would be \$.044 per unit "and not at the fair market price in the Los Angeles area of \$.030, or less." It is also alleged that the Barnard Company and James G. Barnard and Margaret Davis also agreed to pay Blade a secret profit amounting to 15% of the gross amount of all moneys received from plaintiff for engraving done by the Barnard Company. It is further alleged that said agreements were carried out and executed by the defendants. The complaint has attached to it a list of payments beginning February 6, 1942, to November 29, 1951, and alleges that the total amount paid for engraving during that period was the sum of \$563,504.50; that the fair market value was the sum of \$141,979.95 less than the total figure. It is also alleged that the dates and amounts of purchases of engravings made by plaintiff from defendant Engravers during the period of time from on or about

January 1, 1937, until on or about February 5, 1942, and the total amount so charged by defendants and paid by the plaintiff during that period are unknown to the plaintiff. It is alleged that the difference between the fair market value and the amount paid by plaintiff to Barnard Co. was the sum of \$20,021.50.

The plaintiff then alleges that the total amount received by Blade from the Metropolitan Engravers and Metropolitan Mat Service was a sum in excess of \$50,000 and the amount paid to Blade by the Barnard Co. was \$8,250.

The circumstances of the discovery of fraud are alleged to be that all of the acts and agreements and conduct of the defendants, above described, were unknown to the plaintiff until on or about the 10th day of December, 1951; that on or about the 6th day of July, 1951, plaintiff received an anonymous letter to the effect that some unidentified [159] person who was engaged in purchasing for the plaintiff was engaged in receiving secret payoffs. The letter did not identify the party charged, but the letter caused the plaintiff to investigate those engaged in purchasing, which resulted in the discovery by them, on or about the 10th day of December, 1951, of the acts and conduct upon which it bases its claim for relief. The complaint seeks actual damages totaling \$162,001.45, and \$250,000 as exemplary or punitive damages.

Defendant Frank R. Blade has answered with the usual denials, and alleges that all claims prior to

May 2, 1949, are barred by the statute of limitations of California [C.C.P. § 339(1)] and that all acts prior to May 2, 1948, are barred by the provisions of Section 338 of the California Code of Civil Procedure; that all claims are barred by laches on the part of the plaintiff; and as a separate defense alleges in his sixth additional defense that prior to the filing of the Amended Complaint herein on August 21, 1953, and prior to the filing of the original complaint herein on May 2, 1952, and, to wit: On December 10, 1951, the plaintiff filed a complaint for money had and received in the Superior Court of the State of California in and for the County of Los Angeles, wherein the plaintiff herein was plaintiff therein and the defendants Frank R. Blade and Nella Blade were defendants; that the plaintiff in that case secured a writ of attachment under the provisions of Section 537 of the Code of Civil Procedure of the State of California and caused the same to be levied by the Sheriff of Los Angeles County; that in response to a demand for a bill of particulars, Sears, Roebuck filed a bill of particulars which contains, in substance, the same charges contained in the complaint [160] herein, and that by the filing of the Superior Court action the plaintiff made an election of remedies, resulting in damage or injury to the defendant Blade and that by virtue of such election of remedies, the plaintiff is estopped from maintaining the instant suit against Frank R. Blade.

The motion of defendant Blade for summary

judgment will be considered before discussing the motions of the other defendants.

Blade's motion for summary judgment is based upon the ground that plaintiff is estopped from asserting tort liability against him, in that plaintiff, by its suit and attachment in the Superior Court, made a decisive election of remedies.

The motion is based on the pleadings, including the verified answer of Blade and the affidavit of Mr. Knudson, which, in substance, contains all the factual matters set forth in the sixth separate defense of Blade. The facts therein alleged are undenied; they are material. There is thus no genuine issue as to them, which postures the case for summary judgment as to Blade, under Rule 56 F.R.C.P., if, as matter of law, the suit and attachment in the State Court constitute such an election of remedy by the plaintiff as to estop it from pursuing the within action for alleged torts of Blade. *Miller v. Hoffman*, 1 F.R.D. 290.

The mere pursuit of a remedy does not necessarily estop a party from pursuing another inconsistent remedy. It frequently occurs that the remedy first pursued by a wronged party develops into no remedy at all, that is to say, it develops after trial, and even after appeal, that the plaintiff never had such a right or remedy to recover. An election of remedies presupposes the existence of two valid remedies. [161] If one turns out not to be valid, a plaintiff cannot be held to have made an election, because one cannot choose to have that to which he

is not entitled. As said in *Bierce v. Hutchins*, 205 U. S. 340, 347, "It does not purport to be a choice, and it cannot be one because the party has no right to choose." *Barnsdall v. Waltemeyer* (CCA 8, 1905), 142 F. 415, cert. den. 201 U. S. 643; *Southern Pacific Co. v. Bogert*, 1919), 250 U. S. 483; *Rankin v. Tygard*, 198 Fed. 795; *Brown v. Fletcher* (CCA 6, 1910), 182 Fed. 963, cert. den. 220 U. S. 611.

It is, however, also a settled proposition of law that where a person has two inconsistent remedies and pursues one, and by it gains an advantage over the other party, or causes him damage, then an election is deemed to have been made which operates as an equitable estoppel from pursuing another and different remedy. It is this doctrine upon which the defendants rely.

There are two necessary elements to this rule: (1) the remedies must be inconsistent, and (2) their first remedy pursued must result in disadvantage, damage, or detriment to the other party. *De Laval Pac. Co. v. United C. & D. Co.* (1924), 65 Cal. App. 584, 586.

The suit in the superior court was for money had and received—it is *ex contractu*; the suit here is *ex delicto*. They are inconsistent. *Equitable Trust Co. v. Connecticut Brass & Mfg. Corp.* 290 Fed. 712 (CCA 2, 1923); *Steiner v. Rowley* (1950), 35 Cal. 2d 713, 720; *Philpott v. Superior Court* (1934), 1 Cal. 2d 512, 520; *McCall v. Superior Court* (1934), 1 Cal. 2d, 527, 531. A writ of attachment will issue

under California C.C.P. § 527, in an action *ex contractu*, but not one *ex delicto*, which alone is a sufficient mark of [162] inconsistency. As said in *Hallidie v. Enginger* (1917), 175 Cal. 505, 508:

“Next, let it be remarked, that the common-law distinctions between actions *ex contractu* and actions *ex delicto* have not been changed by the permission to file rambling pleadings containing averments pertaining to both classes of actions, and even averments addressed to equity alone. And, finally, let it be remembered that our statute and statutes like ours grant a writ of attachment only in cases *ex contractu*, and therefore deny it, both in actions *ex delicto* and in actions where equitable relief as such is sought.”

The second necessary element for estoppel by election is also present here, i.e., securing an advantage in the state suit by getting the writ of attachment. *Steiner v. Rowley*, *supra*; *Estrada v. Alvarez* (1952), 38 Cal. 2d 386.

In the *Steiner* case, *supra*, the complaint was in four counts, one of which was for money had and received and another for fraud for secret profits by an agent of the plaintiff. An attachment was secured. The court said (p. 720), “* * * the Steiners also obtained an attachment. This was a positive act of a plaintiff ‘in pursuit of * * * [the contractual remedy] * * * whereby he has gained * * * advantage over the other party * * *’ (*De Laval Pac. Co. v. United C. & D. Co.*, 65 Cal. App. 584, 586, 224 Pac. 766.) The Steiners were therefore estopped

to allege a cause of action in tort, and the demurrer to the fourth count (the tort count) was properly sustained.”

In the Estrada case, *supra*, the court stated (p. 391), “As previously stated, plaintiffs pray, in the alternative, for damages for fraud. Their original complaint attempted to state a cause of action for damages for breach of contract (this attempt has been abandoned). In pursuit of this contract remedy plaintiff obtained an [163] attachment. They are, therefore, estopped to pursue the tort remedy of damages for fraud.”

The plaintiff contends, however, that the doctrine of the above cases does not apply; asserting that the state court action was one to recover secret profits received by Blade in which the measure of damages was the amount of money received by him, whereas, here, the measure of damages is the detriment caused by the fact that Blade entered into the fraudulent agreements with his co-defendants and carried them out. No authority is cited in support of this contention.

The money received by Blade and sought to be recovered in the state court is part of the damages sought to be recovered in the instant action. The plaintiff has an attachment on Blade’s property to secure his judgment in the state court if he obtains one. It has not dismissed the state action or released the attachment.

From the allegations of the complaint and from the undenied pleadings filed in the state action, it

appears that the acts of Blade with the defendants here, constituted one continuous wrong; and that the acts of Blade and the acts of his co-defendants in this case, were the basis of the suit in the state court. This is the only conclusion which can be reached from reading the pleadings in the within action and in the state court action, but it is emphasized by the following statements of the verified bill of particulars filed by the plaintiff in the state action:

“Secret profits received by Defendant Frank R. Blade for and on account of Sears, Roebuck and Co. but not accounted for or paid over to said company as follows: [164]

“(a) Sums amounting to Four Hundred Dollars (\$400.00) per month received by Frank R. Blade from January, 1937, to October, 1951, inclusive, a period of one hundred sixty-six months, from Metropolitan Engravers, Ltd., a corporation, and Metropolitan Mat Service, Inc., amounting to Sixty-six Thousand Four Hundred Dollars (\$66,400.00).

“(b) Sums received from Barnard Engraving Company (formerly known as Barnard-Quinn Co.) during the period from September, 1949, to and including November 1, 1951, amounting to Eight Thousand Five Hundred Eleven and 50/100 Dollars (\$8,511.50).”

These are the same acts which plaintiff relies on in the instant suit. The plaintiff seeks in this action to recover the identical money as it seeks to recover

in the state court action. While it seeks a greater sum of damages here than there, I cannot see how a different measure of damages for the same acts can create a right to two inconsistent remedies for those acts where, as here, the plaintiff by suit *ex contractu* in the state court waived the tort. The essence of the cause of action in both suits is the violation of the primary right which the plaintiff had to honest dealings by both Blade and his co-defendants here. It constituted a single cause of action.

As stated by the Supreme Court of California in *Wulfjen v. Dolton*, 24 Cal. 2d, 891, at 895, 896 (1944), "The violation of one primary right constitutes a single cause of action, though it may entitle the injured party to many forms of relief, and the relief is not to be confounded with the cause of action, one not being determinative of the other."

By electing to sue *ex contractu* in the state [165] court the plaintiff waived the tort by Blade, and one cannot waive half a tort by suing in contract and then sue in another case for the other half of the tort. When one sues *ex contractu*, whether on an express or implied contract, the bringing of that suit affirms the contract. It is the essence of the plaintiff's cause of action in the within case that it disaffirms and disavows the acts of Blade in letting contracts and receiving money from his co-defendants; it is the essence of the plaintiff's cause of action in the state court that the defendant Blade was under the obligation of an implied contract to

pay over to the plaintiff all moneys that he received.

In *Robb v. Vos*, 155 U. S. 1 (1894), at page 41, the court stated as follows:

“*Thompson v. Howard*, 31 Michigan, 309, 312, was a case where a father who had brought an action of assumpsit for a minor son’s wages, and, after the jury disagreed, had discontinued the suit, and brought an action for the unlawful enticing away and harboring the son. The Supreme Court said: ‘A man may not take contradictory positions; and where he has a right to choose one of two modes of redress, and the two are so inconsistent that the assertion of one involves the negation or repudiation of the other, his deliberate and settled choice of one, with knowledge, or the means of knowledge of such facts as would authorize a resort to each, will preclude him thereafter from going back and electing again. * * * [The plaintiff’s] proceeding necessarily implied that the defendant had the young man’s services during the time with plaintiff’s assent, and this was absolutely repugnant to the foundation of this suit, which is, that the young man was drawn away and into defendant’s service against the plaintiff’s assent.’

“In *Conrow v. Little*, 115 N. Y. 387, 393, 394, the court said: ‘The contract between Branscom and the plaintiffs was, upon the discovery of Branscom’s fraud, voidable at their election. As to him, the plaintiffs could affirm or rescind it. They could not do both, and there must be a time when their election should be considered final. We think that time

was when they commenced an action for the sum due under the contract, and in the course of its prosecution applied for [166] and obtained an attachment against the property of Branscom as their debtor. They then knew of the fraud practiced by him, and disclosed that knowledge in the affidavit on which the attachment was granted, and became entitled to that remedy because it was made to appear that a cause of action existed in their favor by reason of "a breach of contract to pay for goods and money loaned obtained by fraud." The attachment was levied and the action pending when the present action, which repudiates the contract and has no support except on the theory of its disaffirmance, was commenced. The two remedies are inconsistent. By one, the whole estate of the debtor is pursued in a summary manner, and payment of a debt sought to be enforced by execution; by the other, specific articles are demanded as the property of the plaintiff. One is to recover damages in respect of the breach of the contract, the other can be maintained only by showing that there was no contract. After choosing between these modes of proceeding, the plaintiffs no longer had an option. By bringing the first action, after knowledge of the fraud practiced by Branscom, the plaintiffs waived the right to disaffirm the contract, and the defendants may justly hold them to their election. The principle applied in *Foundry Company v. Hersee*, 103 N. Y. 26, and *Hays v. Midas*, 104 N. Y. 602, require this construction, for the present contains the element lacking in those cases, viz., knowledge of

the fraud practiced by the vendee; and by reason of it the plaintiffs were put to their election.

“ ‘It is not at all material to the question that the plaintiffs discontinued the first suit before bringing the present to trial, for it is the fact that the plaintiffs elected this remedy, and acted affirmatively upon that election, that determines the present issue. Taking any steps to enforce the contract was a conclusive election not to rescind it on account of any thing known at the time. After that the option no longer existed, and is of no consequence whether or not the plaintiffs made their choice effective.’ ”

The plaintiff cannot ratify half of the acts of Blade in dealing with his co-defendants by suit and attachment, where those acts are indivisible, as here, then sue in this court *ex delicto* not only for that half but as well for the additional half. So far as Blade is concerned he had one single indivisible obligation to his employer. He violated that obligation according to the complaint here [167] and in the state court. The plaintiff was confronted with making a decisive choice—it could sue Blade *ex contractu* and attach his property, thus securing itself by that attachment for any judgment it might ultimately get, and assuring itself thereby that it would get something back from Blade for his wrong to it before Blade could sequester the property—or it could forego that right and sue him *ex delicto* and take its chances on ever collecting a judgment. It was a choice with which every lawyer is confronted; whether to take the bird in hand by at-

tachment, or try to get two birds in the bush by a fraud action. It chose to take the bird in hand. It was a knowing choice with its advantage of attachment. The law says it was a decisive choice. And the law will not permit it to pursue both choices at the same time merely because by a fraud action it may be more nearly able to recoup a greater sum than in the *ex contractu* action.

By the allegations in the complaint in this action and the complaint and bill of particulars in the state action, Blade and his co-defendants here joined in a single wrong, namely, fraud upon the plaintiff, which the plaintiff elected to waive by bringing the state action. It cannot now split its causes of action into several suits. *Robb v. Vos*, *supra*; *Paladini v. Municipal Markets Co.* (1921), 185 Cal. 672; *Nightingale v. Scannell* (1855), 6 Cal. 506, at 509; *Herriter v. Porter* (1863), 28 Cal. 385 at 387; *Van Horne v. Treadwell* (1913), 164 Cal. 620 at 622; *Grain v. Aldrich* (1869), 38 Cal. 514 at 519.

The defendant Blade is entitled to summary judgment on his motion and that will be the order of the court. [168]

The Metropolitan Mat Service has filed a separate motion to dismiss which is based upon the contention that it is alleged in the plaintiff's amended complaint that the Mat Service, in joining in the payment of money to the defendant Blade, acted as the agent of Metropolitan Engravers, Ltd. Taking the complaint as a whole, it alleges that all of the parties acted together in making the agree-

ments and doing the things which are alleged to have been done in carrying out the unlawful agreements. I, therefore, can see nothing to the point made by the Metropolitan Mat Service as the allegations of the complaint are sufficient if it is otherwise sufficient against the contentions made in the motion to dismiss which was joined in by Metropolitan Mat Service and the other defendants, to which I will now turn my attention.

The joint motion to dismiss, of Metropolitan Engravers, Metropolitan Mat Service, the Duffys and Smutz, is [169] based on the following grounds: That the plaintiff's complaint failed to state a claim against any defendant upon which relief could be granted; that it affirmatively appears from the face of the complaint that plaintiff's cause of action is barred by the applicable statute of limitations and by laches; that the complaint fails to set forth each contract made between the plaintiff and the various defendants in separate counts, and that the plaintiff, having sued Frank R. Blade and secured an attachment in the Superior Court has made an election of remedies which bars it from pursuing the within action. The motions for summary judgment are made upon the same grounds and upon the further ground that there is no genuine issue as to the material fact that the suit was brought in the state court by plaintiff against Blade and that an attachment was issued and is still in force and effect.

I will discuss the question of estoppel first.

What has heretofore been said about splitting

causes of action in connection with the motion of the defendant Blade to dismiss is equally applicable to the remaining defendants.

The basis of the plaintiff's complaint in the instant matter is that all of the defendants joined in one continuous act or one continuous series of acts to defraud the plaintiff. It was one fraud. It was not two frauds, one committed by Blade and one by the other defendants, but according to the allegations of the complaint they all joined, and that is the only basis upon which the plaintiff would be entitled to recover. That being so, the election of the plaintiff to sue in the state court *ex contractu* and the securing of the attachment against Blade, affirmed the [170] acts of Blade in dealing with the other defendants and the plaintiff is now estopped to bring the within suit against any of them. *Robb v. Vos*, *supra*; *Insurance Co. of North America v. Fourth Nat. Bank*, 28 F. 2d 933 (CCA 5, 1928), cert. denied 279 U. S. 853.

While the foregoing is sufficient to dispose of the action, I feel obliged to express my views on the other points raised by the motions to dismiss, in order that any appeal taken will give opportunity for their review.

I will consider first the applicability of the Statute of Limitations.

The statute of limitations may be raised on a motion to dismiss. *Suckow Borax Mines Consolidated v. Borax Consolidated*, 185 F. 2d 196, 204; *Gossard v. Gossard*, 149 F. 2d 111.

The controlling statute of limitations is Section

338 of the California Code of Civil Procedure, subdivision 4, which limits the right to bring an action on the ground of fraud or mistake to three years and also provides, "the cause of action in such case not to be deemed to have accrued until the discovery, by the aggrieved party of the facts constituting the fraud or mistake."

The original action was filed here on May 2, 1952. The amended complaint, under Section 15(c) F.R.C.P., related back to the date of filing the original complaint. It is clear, therefore, that the statute of limitations has not run against any right of the plaintiff to recover within three years prior to May 2, 1952. The plaintiff, in filing the amended complaint, has endeavored to get around the statute of limitations by allegations showing its failure to discover the fraud, when the discovery was made, and how [171] it was made, and why it was not made sooner, under the authority of *Prentiss v. McWhirter*, 63 F. 2d 712, and other cases cited in my previous memorandum, 110 F. Supp. 96.

The allegations in the amended complaint of the plaintiff in that respect are, in substance, that the plaintiff had no knowledge of the acts and conduct of the defendants, or of the losses and damage suffered by the plaintiff at any time or times prior to or until on or about December 10, 1951. It alleges that the discovery of the fraud occurred as a result of an anonymous letter received by it on or about the 6th day of July, 1951, stating that some unidentified person who engaged in purchasing for plaintiff was receiving secret payoffs; that the letter

did not identify or contain any information from which plaintiff could identify either the person in their employ or the person or persons from whom the purchases were being made or the transactions involved; that upon receipt of the letter plaintiff commenced and conducted an investigation as a result of which it discovered that the defendant Blade had personally received a check in the sum of \$400 from the defendant Metropolitan Mat Service; that thereupon, and on or about the 10th of December, 1951, upon questioning by plaintiff, the defendant Blade admitted that he had been receiving secret payments, rebates and commissions from other defendants in the within matter in connection with the purchase of engravings; that following a further investigation the plaintiff discovered for the first time the "excessive and unfair rates and prices for engraving" that had been, and were, being charged and collected by said other defendants from the plaintiff; that the plaintiff had at all times prior to December 10, 1951, believed that its employee, [172] Blade, was an experienced, competent, loyal and devoted employee, and reposed complete confidence in the said defendant Blade in connection with the performance of his duties as Advertising Manager; that by reason of its confidence and reliance upon Blade and the secrecy of the agreements and conspiracies and payment by the defendants and receipt by Blade of moneys, the plaintiff did not discover and had no knowledge or means of knowing or learning of the occurrences or the acts made and done pursuant thereto.

While the plaintiff attached to its complaint the

summary of payments for only the period beginning February 6, 1942, it nevertheless alleges that the defendants had been engaged in the same conduct since on or about January 1, 1937, a period of more than 15 years prior to the filing of the complaint.

The measure of the right of the plaintiff to recover against the defendants is the difference between what is alleged to be the "fair market price in the Los Angeles area and the prices concurrently charged other purchasers in said area who were competitors of plaintiff, in like quantities of engraving of like grade and quality was \$.030 or less," whereas, the price charged by the defendants and paid by the plaintiff was the sum of \$.044 per unit of engraving. The crucial question is whether or not the plaintiff has met the test set down in *Pren-tiss v. McWhirter*, *supra*. I do not think it has.

The court can take judicial notice that the plaintiff is a large concern; that its sales run into many millions, if not hundreds of millions, of dollars per year; that it uses cuts and engravings in advertising in newspapers and for many years has used cuts and engravings in [173] catalogs. I think I am justified in taking judicial notice of these facts as the court is supposed to know what everybody else knows and I think every farm boy in America is acquainted with a Sears & Roebuck catalog. I think that the court is also justified in presuming that the plaintiff, in the conduct of its business, with the volume which it does in the many states of the Union where it operates, requires the services of auditors. It taxes the credulity too much to

believe that the plaintiff, over a fifteen-year period with a volume of business which it did generally and the volume of business which it did in the advertising field requiring cuts and engravings, could not have, with reasonable diligence, ascertained and learned of the peculations of the defendant Blade and the alleged fraud of the other defendants. Moreover, the complaint shows that it had knowledge that the going price was \$.030 and surely the plaintiff must have known that during that fifteen-year period it was paying \$.044. The complaint is significantly barren of any allegation that the plaintiff did not know and had no means of ascertaining through the fifteen-year period that it could have secured the engravings at a lesser price per unit. And, as just indicated, the allegation is exactly to the contrary.

The complaint does not state a claim for relief against Metropolitan Engravers, Metropolitan Mat Service, the Duffys or Smutz for any damages accruing prior to May 2, 1949.

It is next asserted that the complaint does not state a claim for relief because it does not set forth the date of each contract by which plaintiff was defrauded, or the amount involved. On the authority of the cases there cited, I so held in the previous memorandum (110 F. Supp. 96 at 103). But on further consideration, while [174] convinced of the desirability of such allegations, I do not regard the lack of them to be fatal, in view of the discovery proceedings, and in view of plaintiff's election to treat the conduct of defendants as one wrong only.

In summary: The motion of defendant Blade for summary judgment on the ground of estoppel is granted; and the motions of all other defendants to dismiss is granted on the ground of estoppel.

In accordance with the local rules the defendant Blade submitted proposed Findings of Fact and Conclusions of Law in support of his motion to dismiss. The plaintiff will have five (5) days under the local rules to except thereto, after which the court will settle those findings and sign the summary judgment in favor of defendant Blade.

Inasmuch as the entire case will be disposed of by the foregoing, Rule 54(b) is not applicable.

Counsel for defendants, Metropolitan Engravers, et al., will prepare and submit a judgment of dismissal.

Dated at Los Angeles, California, this 29th day of June, 1954.

/s/ PEIRSON M. HALL,
Judge.

[Endorsed]: Filed June 29, 1954. [175]

[Title of District Court and Cause.]

FINDINGS OF FACT,
CONCLUSIONS OF LAW

This matter came on regularly for hearing on the 26th day of April, 1954, before Honorable Peirson M. Hall, Judge of the above-entitled court, on the motion of defendant Frank R. Blade for a summary

judgment as a matter of law, pursuant to Rule 56b of the Federal Rules of Civil Procedure on the ground that, as set forth in said defendant's Sixth Affirmative Defense, plaintiff herein has heretofore finally and conclusively elected to pursue a separate, inconsistent remedy against this defendant and is estopped and precluded from proceeding with this action; and the Court having considered the pleadings filed in this action and the affidavit submitted in support of the motion, there being no counter-affidavits filed in opposition thereto, and the Court having heard arguments of counsel, and having considered the Points and Authorities submitted in support of and in opposition to said motion for summary judgment, and being [176] fully advised in the premises, now makes its Findings of Fact and Conclusions of Law as follows:

Findings of Fact

I.

Prior to the filing of the amended complaint herein, on August 21, 1953, and prior to the filing of the original complaint herein, on May 2, 1952, namely, on December 10, 1951, the plaintiff herein, Sears, Roebuck & Co., filed a complaint designated, "Complaint (for money had and received)," in the Superior Court of the State of California, in and for the County of Los Angeles, in a proceeding entitled "Sears, Roebuck & Co., a New York corporation, Plaintiff, vs. Frank R. Blade and Nella Blade, Defendants"; that said action is number 593463 on the records of the Clerk of said Court;

that by virtue of said Superior Court action, the plaintiff, Sears, Roebuck & Co., seeks to recover from said defendants the sum of \$75,000.00 for moneys allegedly received by said defendants before December 1, 1951, for the use of the plaintiff; that on said December 10, 1951, the plaintiff, Sears, Roebuck & Co., caused a summons to be issued in said action; that a true and correct copy of the said complaint filed by Sears, Roebuck & Co. in the Superior Court action is attached to the answer filed herein by the defendant, Frank R. Blade, and is marked Exhibit A; that the defendant, Frank R. Blade, named in said complaint and amended complaint in the aforesaid Superior Court action, is the same person as the answering defendant, Frank R. Blade, in this proceeding in the United States District Court, and on whose behalf the instant motion for summary judgment is filed.

II.

At the time the summons was issued in said Superior Court action, the plaintiff, Sears, Roebuck & Co., caused to be filed therein an affidavit for attachment against resident, a true and correct copy of which is attached to the answer of this defendant to the amended complaint, marked Exhibit B; that said affidavit for attachment [177] against resident was prepared and sworn to by Russell G. Curry, the Assistant Secretary of plaintiff, Sears, Roebuck & Co., and declares that the defendants in said Superior Court action are indebted to Sears, Roebuck & Co. in the sum of \$75,000.00 together with interest thereon at the rate of 6% per annum from

December 1, 1951, upon an implied contract for the direct payment of money, that the defendants, including this defendant, were indebted to plaintiff in said sum for moneys had and received for the use and benefit of the plaintiff, that such contract was made or is payable in California, and that the payment of said contract was without security.

III.

At the time the summons was issued in said Superior Court action, the plaintiff, Sears, Roebuck & Co., caused to be filed therein a Statement to Clerk on Attachment, a true and correct copy of which is attached to the answer of defendant, Frank R. Blade, herein, to the amended complaint herein, marked Exhibit C; that said Statement to Clerk on Attachment was prepared and executed by John L. Wheeler, Esq., attorney for plaintiff, Sears, Roebuck & Co., in said Superior Court action, and stated, among other things, that plaintiff had commenced, or was about to commence an action in the Superior Court of the County of Los Angeles, against the defendants, including this defendant, upon an implied contract for the direct payment of money and claiming that there was due to the plaintiff from said defendants the sum of \$75,000.00.

IV.

At the time summons was issued in said Superior Court action, the plaintiff, Sears, Roebuck & Co., caused to be issued therein a Writ of Attachment, a true and correct copy of which is attached to the answer of defendant Frank R. Blade to the

Amended Complaint herein, marked Exhibit D; that Sears, Roebuck & Co. caused said attachment to be levied upon substantial property belonging to the defendant, Frank R. Blade. [178]

V.

Thereafter, and pursuant to a demand for a Bill of Particulars made by the defendants in said Superior Court action, the plaintiff, Sears, Roebuck & Co., which is also the plaintiff in this action, filed a verified Bill of Particulars in said Superior Court action, a true and correct copy of which is attached to the answer of defendant Frank R. Blade to the amended complaint herein, marked Exhibit E; that said Bill of Particulars filed by plaintiff Sears, Roebuck & Co., and sworn to by R. G. Curry, Assistant Secretary of said corporation, discloses that the Superior Court action arises from and is based upon the same alleged transactions for which Sears, Roebuck & Co. seeks to recover by the amended complaint on file in this court; that said Superior Court action, since its commencement on December 10, 1951, at all times has been, and now is, pending in the Superior Court of the State of California, in and for the County of Los Angeles, and the attachment issued in said action and levied upon property belonging to the defendant, Frank R. Blade, has been at all times during the pendency of said Superior Court action, and now is, in full force and effect against the said property of defendant Frank R. Blade.

VI.

There is no genuine issue as to any material fact

set forth in the Sixth Affirmative Defense of defendant Frank R. Blade.

VII.

There is no just reason for delay in entering this summary judgment in favor of defendant Frank R. Blade and the Clerk is directed to enter summary judgment in favor of defendant Frank R. Blade forthwith in accordance with Rule 54b of the Federal Rules of Civil Procedure.

VIII.

All of the facts set forth in the Memorandum Opinion filed June 29, 1954, and not specifically set forth herein are found to be [179] true.

Conclusions of Law

I.

By this action the plaintiff herein claims damages for alleged fraud and thus seeks to pursue a tort remedy against the defendant, Frank R. Blade, which is separate from, and inconsistent with, that sought by said plaintiff against said defendant in the Superior Court contractual action based upon an alleged implied contract filed prior to the institution of this action which Superior Court action is presently pending.

II.

By filing the aforesaid contractual action in the Superior Court and causing an attachment to be issued therein and levied upon substantial property of the defendant, Frank R. Blade, plaintiff has taken positive action with full knowledge of its

rights and the facts, whereby it has gained an advantage over the defendant, Frank R. Blade, to said defendant's detriment and damage.

III.

Plaintiff has heretofore made a final and conclusive election of the remedies it may pursue against the defendant, Frank R. Blade, and is thereby estopped and precluded from proceeding with this action.

IV.

Defendant Frank R. Blade is entitled to summary judgment in his favor.

V.

There is no just reason for delay in entering this summary judgment in favor of defendant Frank R. Blade and the Clerk is directed to enter summary judgment in favor of defendant Frank R. Blade forthwith in accordance with Rule 54b of the Federal Rules of Civil Procedure.

VI.

All Conclusions of Law set forth in the Findings of Fact and [180] in the Memorandum Opinion filed June 29, 1954, and not specifically set forth herein are found to be Conclusions of Law.

Dated: Sept. 1, 1954.

/s/ PEIRSON M. HALL,

United States District Judge.

Affidavit of Service by Mail attached.

[Endorsed]: Filed September 1, 1954. [181]

In the District Court of the United States,
Southern District of California

No. 14079-PH

SEARS, ROEBUCK & CO., a Corporation,
Plaintiff,

vs.

FRANK R. BLADE, et al.,
Defendants.

SUMMARY JUDGMENT

This matter came on regularly for hearing on the 26th day of April, 1954, before Honorable Peirson M. Hall, Judge of the above-entitled Court, on the motion of defendant Frank R. Blade for a summary judgment as a matter of law, pursuant to Rule 56b of the Federal Rules of Civil Procedure, and the Court being fully advised in the premises, and having heretofore filed herein its Findings of Fact and Conclusions of Law,

Now, therefore, by reason of the Findings and Law aforesaid, the Court finds that the defendant, Frank R. Blade, is entitled to a summary judgment as a matter of law and that there is no just reason for delay in entering such summary judgment in favor of said defendant Frank R. Blade,

It Is, Therefore, Ordered, Adjudged and Decreed that the motion of defendant Frank R. Blade for summary judgment be, and the same is, hereby granted, pursuant to Rule 56b of the Federal Rules of [184] Civil Procedure, that there is no just reason for delay in entering this summary judgment

in favor of said defendant Frank R. Blade, that the Clerk be, and hereby is, directed to enter summary judgment in favor of defendant Frank R. Blade forthwith in accordance with Rule 54b of the Federal Rules of Civil Procedure, that the plaintiff recover nothing by its suit, and that the defendant, Frank R. Blade, go hence without day and recover his costs and charges in this behalf expended and for execution therefor.

Costs taxed favor Deft., \$73.20.

Dated Sept. 1, 1954.

/s/ PEIRSON M. HALL,

United States District Judge.

Lodged July 28, 1954.

[Endorsed]: Filed September 1, 1954.

Entered September 2, 1954. [185]

[Title of District Court and Cause.]

JUDGMENT OF DISMISSAL ON MERITS
FOR FAILURE TO STATE A CLAIM
UPON WHICH RELIEF CAN BE
GRANTED

Upon motion of defendants Metropolitan Engravers, Ltd., Metropolitan Mat Service, Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz and Walter C. Duffy to dismiss the complaint, and upon the first defense in the answer alleging that the complaint fails to state a claim upon which relief can

be granted, it is ordered that the motion be sustained, and the cause dismissed with prejudice as of this date, and that all costs in the proceeding be taxed upon the plaintiff, Sears, Roebuck & Co., in the sum of \$.

Ordered, Adjudged and Decreed this, the 1st day of September, 1954.

/s/ PEIRSON M. HALL,
United States District Judge.

Approved as to Form Under Rule 7.

JOHN L. WHEELER,
FRESTON & FILES and
EUGENE D. WILLIAMS,
By /s/ EUGENE D. WILLIAMS,
Attorneys for Plaintiff.

[Endorsed]: Filed September 1, 1954.

Docketed and entered September 2, 1954. [187]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Plaintiff hereby appeals to the Court of Appeals for the Ninth Circuit from that certain judgment of dismissal in favor of defendants Metropolitan Engravers, Ltd., a corporation; Metropolitan Mat Service, Inc., a corporation; Gregory F. Duffy; Aubrey A. Duffy; Alfred Smutz and Walter C.

Duffy, and that summary judgment in favor of the defendant, Frank R. Blade, and both of said judgments and the whole thereof, entered September 2, 1954, by the Clerk of the above-entitled Court.

Dated: September 29, 1954.

JOHN L. WHEELER,

FRESTON & FILES and

EUGENE D. WILLIAMS,

By /s/ EUGENE D. WILLIAMS,

Attorneys for Plaintiff and
Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed September 29, 1954. [188]

[Title of District Court and Cause.]

STATEMENT OF POINTS

The points upon which appellant will rely on appeal are:

1. That the Court erred in dismissing the complaint herein as against the defendants, Metropolitan Engravers, Ltd., a corporation; Metropolitan Mat Service, Inc., a corporation; Gregory F. Duffy; Aubrey A. Duffy; Alfred Smutz and Walter C. Duffy, and each of them.

2. That the Court erred in entering a judgment of dismissal against the plaintiff and in favor of said above-named defendants, and each of them.

3. That the Court erred in entering a summary judgment in favor of the defendant, Frank R. Blade.

4. That the Court erred in holding that the sixth separate defense set forth in the answer of the defendant, Frank R. Blade, stated a defense to the claims set forth in the complaint. [190]

5. That the Court erred in holding that there is no genuine issue as to any material fact set forth in the sixth affirmative defense of defendant Frank R. Blade.

Dated: September 29, 1954.

JOHN L. WHEELER,
FRESTON & FILES and
EUGENE D. WILLIAMS,

By /s/ EUGENE D. WILLIAMS,
Attorneys for Plaintiff-
Appellant.

Affidavit of Service by Mail attached.

[Endorsed]: Filed September 29, 1954. [191]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing pages, numbered from 1 to 195, inclusive, contain the original Amended Complaint for Damages for Fraud; Answer of Frank R. Blade to Amended Complaint; Notice of Motion, Motion to Dismiss or for Summary Judgment, Affidavit of William J. Clark and Points and Authorities; Notice of Motion for More Definite Statement, Motion and Memorandum of Authorities; Notice of Motion and Motion to Dismiss with Points and Authorities; Notice of Motion of Defendant Frank R. Blade for Summary Judgment; Supplemental Points and Authorities in Support of Motion of Defendant Frank R. Blade for Summary Judgment; Memorandum of Points and Authorities in Opposition to Motions of Defendants to Dismiss or for Summary Judgment; Closing Memorandum of Defendants Metropolitan Engravers, Ltd., et al.; Reply Memorandum in Support of Motion of Defendant Frank R. Blade for Summary Judgment; Memorandum Opinion; Findings of Fact and Conclusions of Law; Summary Judgment; Judgment of Dismissal on Merits for Failure to State a Claim Upon Which Relief Can Be Granted; Notice of Appeal; Statement of Points and Designation of Record on Appeal which constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing and certifying the foregoing record amount to \$2.00, which sum has been paid to me by the appellant.

Witness my hand and the seal of said District Court this 25th day of October, A.D. 1954.

[Seal]

EDMUND L. SMITH,
Clerk;

By /s/ THEODORE HOCKE,
Chief Deputy.

[Endorsed]: No. 14564. United States Court of Appeals for the Ninth Circuit. Sears, Roebuck & Co., a Corporation, Appellant, vs. Metropolitan Engravers, Ltd., Metropolitan Mat Service, Inc., Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz, Walter C. Duffy and Frank R. Blade, Appellees. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed October 26, 1954.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for the
Ninth Circuit.

No. 14564.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SEARS, ROEBUCK & Co., a corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD.; METROPOLITAN MAT
SERVICE, INC.; GREGORY F. DUFFY, AUBREY A. DUFFY,
ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

PETITION FOR REHEARING.

JOHN L. WHEELER,

2650 East Olympic Boulevard,
Los Angeles 54, California;

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GEORGE W. TACKABURY,

HUDSON B. COX,

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Attorneys for Appellant.

FILED

DEC 24 1956

PAUL P. O'BRIEN, CLERK



TOPICAL INDEX

PAGE

The judgment in the state court action is not a bar to this action against Blade	4
There is no splitting of a single cause of action.....	10

TABLE OF AUTHORITIES CITED

CASES	PAGE
Anderson v. Thacher, 76 Cal. App. 2d 50, 172 P. 2d 533.....	9
Anglo-California National Bank v. Lazard, 106 F. 2d 693, cert. den., 308 U. S. 624, 84 L. Ed. 521.....	9
B. F. Goodrich Co. v. Naples, 121 Fed. Supp. 345.....	9
Cromwell v. County of Sac, 94 U. S. 351, 24 L. Ed. 195.....	4, 6, 11
Eistrat v. Brush Industrial Lumber Co., 124 Cal. App. 2d 42, 268 P. 2d 181.....	13
Estrada v. Alvarez, 38 Cal. 2d 386, 240 P. 2d 278.....	13
Evans v. Horton, 119 Cal. App. 2d 281, 251 P. 2d 1013.....	13
Insurance Co. of North America v. Fourth National Bank, 28 F. 2d 933.....	13
Savage v. Mayer, 33 Cal. 2d 548, 203 P. 2d 9.....	11
Steiner v. Rowley, 35 Cal. 2d 713, 221 P. 2d 9.....	13
United States v. Pan American Petroleum Co., 55 F. 2d 753, cert. den. 287 U. S. 612.....	10, 11
Wulfjen v. Dolton, 24 Cal. 2d 891, 151 P. 2d 846.....	12, 13

STATUTE

Labor Code, Sec. 2860.....	3
----------------------------	---

TEXTBOOKS

1 California Jurisprudence 2d, Sec. 76, p. 703.....	12
29 California Jurisprudence 2d, Sec. 215, p. 169.....	7
Restatement of Law of Judgments, Sec. 68, Comment (a).....	7
Restatement of Law of Judgments, p. 293.....	8

No. 14564.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SEARS, ROEBUCK & Co., a corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD.; METROPOLITAN MAT
SERVICE, INC.; GREGORY F. DUFFY, AUBREY A. DUFFY,
ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

PETITION FOR REHEARING.

*To the Honorable Circuit Judges Fee and Chambers, and
District Judge Walsh for the United States Court of
Appeals for the Ninth Circuit:*

Petitioner, Sears, Roebuck & Co., respectfully petitions for a rehearing upon that portion of the judgment and opinion of this Honorable Court rendered November 27, 1956, in which the summary judgment in favor of defendant and appellee, Frank R. Blade, is affirmed.

This petition is presented upon the ground that petitioner earnestly believes that the affirmance of the summary judgment in favor of Blade was predicated upon an inadvertent misconception of the nature of the action

filed by petitioner in the court below against Blade and the Engravers.

In particular, the misconception appears from the following portions of the Opinion of this Court:

“On December 10, 1951, Sears filed a complaint for money had and received in the Superior Court of the State of California in and for the County of Los Angeles against Blade and his sister and had a writ of attachment issued and levy made thereunder. * * * *In particular, the moneys for which the attachment issued are unquestionably in part the sums alleged to have been paid to Blade in the amended complaint in the federal suit, as an inspection of the bill of particulars in the state action will show.*

“The general rule is that a plaintiff may pursue an action against an identical defendant in several courts at the same time, even though inconsistent remedies are sought. *But it is everywhere held that, although there can be several suits on the same state of facts against an identical defendant, there can be only one recovery. When a judgment has been based upon any of the several causes of action which can be stated arising out of the same state of facts, no recovery can be had as a matter of substantive law upon any of the other causes of action, whether prosecuted in the same court or some other court. The same rationale applies to a situation where affirmative action has been taken upon one of the several causes of action, which is thereupon held to negative any other theory of recovery between the same parties. This also is a doctrine of substantive law which has been adopted by many jurisdictions.*”*

*Italics ours.

While it is true that petitioner in its amended complaint in the court below alleged in paragraph X that the Engravers had paid Blade as a rebate or bribe in excess of \$50,000.00 [Tr. pp. 12-13], and while it is freely admitted that these are the monies recovered by Sears from Blade in the state court action, it is to be emphatically noted that the federal court action nowhere purports to seek recovery from Blade or from the Engravers of any part or portion of these secret rebates or bribes. Paragraph VIII of the amended complaint [Tr. p. 10] shows unequivocally that recovery is sought for an alleged over-charge for engraving made by Metropolitan Engravers in conspiracy with Blade in the sum of \$141,979.95, and in paragraph IX of the amended complaint [Tr. p. 12] recovery is sought for alleged over-charges for engraving made by defendant Barnard Company in conspiracy with Blade in the sum of \$20,021.50. The prayer of the complaint is for the recovery from the defendants of the sum of \$162,001.45 (*i. e.* the sum of the two alleged over-charges), plus the additional sum of \$250,000.00 as exemplary damages [Tr. p. 16].

Thus, in the state court action Sears recovered from Blade the secret bribes or commissions he had received, upon the ground, codified in Section 2860 of the California Labor Code, that "Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment." In the federal court action, recovery is sought from the Engravers and Blade, as alleged co-conspirators, of the over-charges for engraving to which Sears alleged it was subjected.

The Judgment in the State Court Action Is Not a Bar to This Action Against Blade.

The Opinion very correctly holds that "there was no splitting of a cause of action, even if the record in the two cases be assumed to be before this Court. An employer has a right of action against his employee for money acquired by the latter as the result of his employment. The employer also has a right of action for over-charges whereby a third party is unjustly and fraudulently enriched."

It being conceded in the Opinion that the employer has these two separate and distinct remedies or rights of recovery, and that they are not inconsistent one with the other, we believe the Court erred when it concluded that "although there can be several suits on the same state of facts against an identical defendant, there can be only one recovery. When a judgment has been based upon any of the several causes of action which can be stated arising out of the same state of facts, no recovery can be had as a matter of substantive law upon any of the other causes of action, whether prosecuted in the same court or some other court." We believe that the Court has inadvertently confused the doctrine of *res judicata* with the more limited doctrine of estoppel by judgment.

Perhaps no decision of the Supreme Court of the United States has been more frequently cited than *Cromwell v. County of Sac*, 94 U. S. 351, 24 L. Ed. 195, for its distinction between the effect of a prior judgment as a bar or estoppel. Mr. Justice Field in that case thus expressed this significant distinction (p. 197 of 24 L. Ed.):

“In considering the operation of this judgment, it should be borne in mind, as stated by counsel that there is a difference between the effect of a judgment as a bar or estoppel against the prosecution of a second action upon the same claim or demand, and its effect as an estoppel in another action between the same parties upon a different claim or cause of action. In the former case, the judgment, if rendered upon the merits, constitutes an absolute bar to a subsequent action. It is a finality as to the claim or demand in controversy, concluding parties and those in privity with them, not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose.”

* * * * *

“But where the second action between the same parties is upon a different claim or demand, the judgment in the prior action operates as an estoppel only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered. In all cases, therefore, where it is sought to apply the estoppel of a judgment rendered upon one cause of action to matters arising in a suit upon a different cause of action, the inquiry must always be as to the point or question actually litigated and determined in the original action; not what might have been thus litigated and determined. Only upon such matters is the judgment conclusive in another action.”

It would be redundant to advert to the infinite number of subsequent decisions, both federal and state, in which this distinction, so succinctly drawn by Mr. Justice Field, has been cited and followed with approval. This Court, although citing *Corpus Juris* rather than *Cromwell v.*

County of Sac, in *Walrath v. Roberts*, 23 F. 2d 32, has recognized the distinction when it said, page 33:

“ ‘A former judgment is not a bar to a subsequent action between the same parties if the subject matter involved in the two actions is not identical, although it may conclude the parties as to the issue actually litigated and determined. But identity of the subject matter is not alone a sufficient test. The true requirement is that the causes of action in the two suits shall be the same. Undoubtedly the subject matter involved in the two actions must be the same, for otherwise there could not be an identity of the causes of action; *but the same transaction or state of facts may give rise to distinct or successive causes of action and a judgment upon one will not bar a suit upon another.** Therefore a judgment in a former suit, although between the same parties and relating to the same subject matter, is not a bar to a subsequent action, when the cause of action is not the same.’ 34 C. J. 811.

“ ‘Where the causes of action are separate and distinct, the judgment in the first action is conclusive only as to matters actually in issue and adjudicated. Subject to the rule just stated, it is held that rights, claims, or demands of the parties growing out of the same subject matter, but which were not put in issue or adjudicated in the former action, are not barred by the judgment therein. And *a fortiori* a judgment is not a bar to the litigation of any demand or cause of action which, from the nature of the case, the form of the action, or the character of the pleadings, could not have been adjudicated in the former suit.’ *Id.* 823.”

*Italics ours.

This distinction between a judgment as a bar or an estoppel is, of course, similarly the law of California.

29 Cal. Jur. 2d, "Judgments," Section 215, page 169:

"There is a distinction between the effect of pleading a former judgment in bar and pleading it by way of estoppel. The first plea is available where the subsequent suit is between the same parties on the same cause of action, and its effect is more extensive than that of the plea of estoppel, since it is a complete bar to the second action regardless of what may or may not have been presented in support or defense of the claim in the prior action. As distinguished from the plea in bar, a plea of estoppel by judgment may be asserted in a subsequent suit on a different cause of action and is an estoppel or conclusive adjudication only as to issues or matters that were actually litigated and determined by the prior judgment. It is not conclusive as to matters that might have been but were not litigated in the original action. This distinction, though important because of the legal consequences, has not always been pointed out in the general statements and discussions of the doctrine of *res judicata*, nor recognized by parties litigant. And confusion has resulted from indiscriminate use of the term 'estoppel' as the equivalent of bar and merger."

Comment (a) to Section 68 of the Restatement, "Judgments," contains an excellent summation of the distinction:

"It is important to distinguish the effect of a judgment as a merger of the original cause of action in the judgment or as a bar to a subsequent action upon the original cause of action from its effect by way of collateral estoppel in a subsequent action between the parties based upon a different cause of action. If a judgment is rendered in favor of the plaintiff, the

cause of action upon which the judgment is based is merged in the judgment, and the plaintiff cannot thereafter maintain an action on the original cause of action (see §47). If the judgment is rendered in favor of the defendant on the merits, the original cause of action is barred by the judgment (see §48). In either case the original cause of action is extinguished by the judgment no matter what issues were raised and litigated in the action, or even if no issues were raised or litigated and judgment was rendered by default.

“On the other hand, where the subsequent action is based upon a different cause of action from that upon which prior action was based, the effect of the judgment is more limited. The judgment is conclusive between the parties in such a case as to questions actually litigated and determined by the judgment. It is not conclusive as to questions which might have been but were not litigated in the original action. This is the doctrine of collateral estoppel.” (Restatement, “Judgments,” p. 293.)

Applying this rule of law to the present case and to the Opinion of this Court, it is apparent that the Court has applied the doctrine of judgment as a bar to a situation where admittedly the cause of action in the federal case is different from the cause of action upon which judgment was recovered against Blade in the state court. In such a case the judgment in the state court action would preclude a subsequent recovery against Blade upon a different cause of action, although arising out of the same state of facts, only if Blade’s liability for the engraving overcharges had in fact been litigated and determined in the state court action, and again we reiterate at this point that the state court action upon a common count for money had and received was one solely to recover from Blade

the alleged secret bribes and rebates paid to him, while the federal court action is solely to recover for the tortious over-charges made by the defendant Engravers pursuant to their joint conspiracy with Blade to defraud Sears. As we pointed out at page 39 of our Opening Brief, it was necessary in the state court action to prove nothing more than the receipt by Blade of secret commissions and bribes. Whether or not the Engravers and Blade had wrongfully subjected Sears to over-charges for engraving was wholly immaterial to recovery in the state court action and was not there put in issue or litigated. [See, for example, the Complaint, Tr. pp. 38-39, and the Bill of Particulars, Tr. pp. 45-47]. By like token, in the federal court action it would be wholly unnecessary to prove the payment to Blade of secret commissions and bribes. It would be necessary only to prove that pursuant to a conspiracy between them, Blade and the Engravers wrongfully subjected Sears to the improper charges. Again we emphasize that no recovery is sought in the federal court action for anything other than these alleged over-charges.

If Sears establishes its allegations of conspiracy between Blade and the defendant Engravers to defraud, recovery of the damages suffered may be had against each of the participants in such conspiracy, regardless of whether such participant (Blade) profited from the fraud or not.

Anderson v. Thacher, 76 Cal. App. 2d 50, 72, 172 P. 2d 533;

Anglo-California National Bank v. Lazard (C. C. A. 9), 106 F. 2d 693, 703, cert. den. 308 U. S. 624, 84 L. Ed. 521;

B. F. Goodrich Co. v. Naples (D. C. S. D. Cal.), 121 Fed. Supp. 345, 348.

The causes of action against the employee, Blade, being wholly dissimilar although arising out of the same general transaction or state of facts, we submit that the present Opinion is in error in holding that the state court recovery against Blade is a bar to the maintenance of the present action against him.

There Is No Splitting of a Single Cause of Action.

What this Court is holding in substance in its Opinion in favor of Blade is that Sears could not split its cause of action against the defendant Blade and recover judgment against him in both actions, although admittedly the judgment in each would be for a different thing (*i. e.* payment to the employer of the secret commissions received by him during the course of his employment, on the one hand, and recovery by the employer of the damages sustained by it as the result of the alleged conspiratorial and wrongful over-charges for engraving, on the other hand).

The best exposition of the rule against splitting causes of action is contained in the opinion of this court in the second *Pan American* case, *United States v. Pan American Petroleum Co.*, 55 F. 2d 753, cert. den. 287 U. S. 612, a decision which we earnestly commend to the attention of the Court on this petition for rehearing. It was there contended by the defendant that the three leases before the court in the second *Pan American* case "constituted merely additional elements of relief to which the appellant was there entitled. Therefore, under the fundamental rule against splitting causes of action, the government, in this second suit, cannot recover under these three leases" (p. 765). This court gave extensive consideration to the rule against splitting causes of action, commencing at page

776, and observed that several causes of action may arise out of a single transaction, citing in support of this observation, among other authorities, *Cromwell v. County of Sac*, *supra*. At page 781 this Court applied the accepted test as to identity of causes of action, which is whether the same evidence which is necessary to sustain the second action would have been sufficient to authorize a recovery in the first; if so, the prior judgment is a bar, otherwise it is not. As we have observed above, evidence necessary to justify a recovery of a joint and several judgment against Blade and the Engraver defendants would not entail proof that Blade was paid or received secret rebates or commissions; nor, by like token, would it be necessary in the state court action, for the recovery of secret profits or commissions, to prove fraud or deceit on the part of the employee. *Savage v. Mayer*, 33 Cal. 2d 548, 203 P. 2d 9, "It follows that the principal's right to recover does not depend upon any deceit of the agent, but is based upon the duties incident to the agency relationship and upon the fact that all profits resulting from that relationship belong to the principal."

In addition to the "identity of evidence" test, this court in the second *Pan American* case also applied the test of finality of the judgment in the one action as a bar to the maintenance of the second action (p. 779):

"Distinct causes of action, capable of being sued on separately and *successively*, may arise from one and the same tortious act in favor of the same plaintiff, as where he is injured thereby in respect to different rights or interests, * * *

"But this rule does not require a plaintiff to join in one suit several distinct and separate causes of action which he may have against the same defendant,

nor does it mean that the prior judgment is conclusive of matters not in issue or adjudicated, and which were not germane to, implied in, or essentially connected with, the actual issues in the case, although they may affect the ultimate rights of the parties and might have been presented in the former action. * * *

“Where the causes of action are separate and distinct, the judgment in the first action is conclusive only as to matters actually in issue and adjudicated.”

As we have shown above, Sears having separate and distinct rights (1) to recover from its employee the secret commissions paid to him, and (2) to recover for the wrongful over-charges for engraving to which it was subjected, the state court action would not be a bar to the maintenance of the federal court action except as to matters actually litigated and decided in the first action. As the rule is expressed in 1 Cal. Jur. 2d, “Actions,” Section 76, page 703, “The test for determining whether the matter involved in two actions is the same is whether a final adjudication of the issue in the first action will constitute a determination of it in a second action.” Under either test it must be clear that even though the perfidy of Blade and the Engravers be regarded as but a single and continuous transaction, two separate and distinct primary rights of Sears were invaded, namely, the right to recover the bribes received by its employee and the right to recover its losses occasioned by the fraudulent over-charges.

We are not unmindful of cases such as *Wulfjen v. Dolton*, 24 Cal. 2d 891, 151 P. 2d 846, and *Evans v. Hor-*

ton, 119 Cal. App. 2d 281, 251 P. 2d 1013, where following an unsuccessful action for rescission the plaintiff has sought to bring a second action for damages for fraud, based upon the same facts. As the *Wulfjen* case points out (p. 895), "The violation of *one primary right* constitutes a single cause of action, though it may entitle the injured party to many forms of relief, and the relief is not to be confounded with the cause of action, one not being determinative of the other." The simple fact is that two separate primary rights of Sears are here involved: (1) the right to have paid over to it compensation, other than wages, received by its employee during the course of his employment, and (2) the right to be free from fraudulent over-charges for its engraving work. Cases such as *Steiner v. Rowley*, 35 Cal. 2d 713, 221 P. 2d 9; *Estrada v. Alvarez*, 38 Cal. 2d 386, 240 P. 2d 278, and *Eistrat v. Brush Industrial Lumber Co.*, 124 Cal. App. 2d 42, 268 P. 2d 181, in which the levy of an attachment was held to constitute an election, were all actions—as we pointed out on pages 6-8 of our Reply Brief—in which the attachment was levied upon an alternative cause of action for the invasion of a single primary right. They are inapplicable here for the same reason upon which this Court in footnote 7 of its Opinion distinguished *Insurance Co. of North America v. Fourth National Bank*, 28 F. 2d 933, where the court observed that that case "concerned an election by plaintiff as to the manner in which he would pursue the same funds."

For the reasons hereinabove advanced, and because we sincerely believe the initial Opinion of this Court, as rendered, pertaining to the defendant Blade, is erroneous upon its face, we respectfully request a rehearing upon that portion of the judgment and Opinion affirming the summary judgment in favor of defendant Blade.

Respectfully submitted,

JOHN L. WHEELER,
NEWLIN, TACKABURY & JOHNSTON,
GEORGE W. TACKABURY,
HUDSON B. COX,

Attorneys for Petitioner.

Certificate of Counsel.

I hereby certify that in my judgment the foregoing petition is well founded, and I further certify that said petition for rehearing is not interposed for delay.

HUDSON B. COX,
for Newlin, Tackabury & Johnston.

No. 14564

United States Court of Appeals For the Ninth Circuit

SEARS, ROEBUCK & CO., a Corporation,
Appellant,

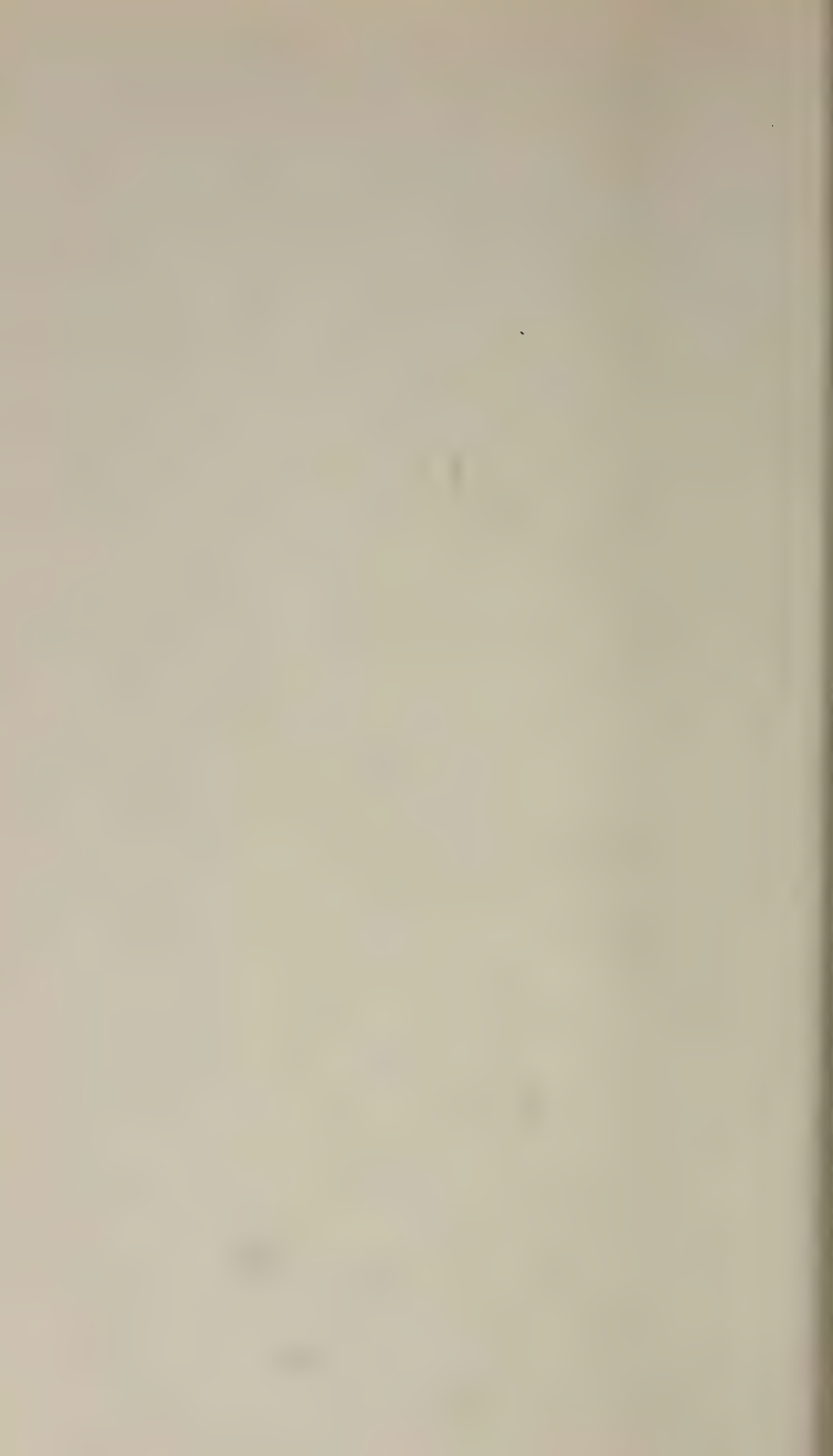
vs.

METROPOLITAN ENGRAVERS, LTD.; METRO-
POLITAN MAT SERVICE, INC.; GREGORY F.
DUFFY, AUBREY A. DUFFY, ALFRED SMUTZ,
WALTER C. DUFFY and FRANK R. BLADE,
Appellees.

**BRIEF OF RESPONDENTS METROPOLI-
TAN ENGRAVERS, LTD., METROPOLI-
TAN MAT SERVICE, INC.; GREGORY
F. DUFFY, AUBREY A. DUFFY, ALFRED
SMUTZ and WALTER C. DUFFY.**

FILED NATHAN M. DICKER
208 South Beverly Drive
Beverly Hills, California
Attorney for said Respondents
JUN 29 1955

DAVID B. GIBBEN, CLERK



TOPICAL INDEX

	Page
Preliminary	1
Summary of Argument.....	6
Argument	9
I. Plaintiff Alleges Merely the Invasion of a Single Primary Right by a Continuing Wrong. There Is But One Cause of Action	9
II. The Lapse of Time Has Been So Great as to Give Rise to the Presumption That Evi- dence Heretofore Available to the Defend- ants Is No Longer Available.....	20
III. The Question of Laches is Addressed Pri- marily to the Trial Court and in the Ab- sence of a Showing, That He Abused His Discretion, His Decision Will Not Be Dis- turbed	26
IV. No Fiduciary Relationship Existed Be- tween These Respondents and the Plaintiff, and the Rule of Diligence Is Not Relaxed in Favor of Plaintiff for That Reason.....	31
V. That by the Action in the State Court the Plaintiff Waived the Tort and Elected to Sue Upon an Implied Contract Is Beyond Question	32
Conclusion	36

TABLE OF CASES AND AUTHORITIES CITED

Cases

	Page
Akley vs. Bassett, 109 Cal. 625, 647, 648.....	27
Alexander vs. Hillman, 296 U. S. 222, 80 L. Ed. 192- 201	16, 19
Allen vs. California Bldg. Assoc., 22 Cal. 2d 474, 482, 483	22
Arnold Realty Co. vs. Wm. K. Toole Co., 115 Atl. 565, 44 R. I. 83.....	18
Badger vs. Badger, 2 Wall. 87, 17 L. Ed. 836, 838.....	24
Bainbridge vs. Stoner, 16 Cal. 2d 423.....	31
Bowman vs. Wohlhe, 166 Cal. 121.....	12
Breedlove vs. Bundy, 96 Ind. 319.....	13
Brumsley vs. Speedway Co., 138 Tenn. 534.....	13
Cahill vs. Sup. Ct., 145 Cal. 42, 47.....	22
Calif. Bond Co. vs. Washburn, 94 Cal. App. 530, 532	27
Carr vs. Sacramento Clay Products Co., 35 Cal. App. 439.....	37
Chaplin vs. Sullivan, 67 Cal. App. 728-737.....	25
Chapman vs. Bank of California, 98 Cal. 155.....	27
Cleveland Clinic Foundation vs. Humphreys, 97 F. 2d 849.....	26
Colter vs. State, 39 S. W. 576, 577, 38 Tex. Cr. App. 284	11-12
Crandall vs. Bryan, 15 How. Pr. N.Y. 48, 53.....	11
Davis vs. Schneider, 91 Cal. App. 631, 635.....	27
Daube vs. U. S., 1 F. Supp. 771.....	11

	Page
D. O. Haynes & Co. vs. Druggists Cir. Co., 32 F. 2nd 215, 217.....	26
Dufour vs. Weissberger, 172 Cal. 223, 225.....	27
Felsenitral vs. Thiegen, 23 Ill. App. 569.....	13
Freeman vs. Donohoe, 65 Cal. App. 65, 93.....	27
Frost vs. Witter, 132 Cal. 421.....	11, 14
Godden vs. Kimmell, 99 U. S. 206, 25 L. Ed. 431, 434	23
Goodfellow vs. Barrett, 130 Cal. App. 548-560, 561.....	22
Goodwin vs. Freadrick, 280 N. W. 917, 293.....	11
Hallidie vs. Enginer, 125 Cal. at 508.....	18
Hannigan vs. Yolo Fliers Corp., 208 Cal. 697.....	31
Harriss vs. Indemnity Ins. Co., 93 F. 2d 459.....	12
Hobart v. Hobart, 26 Cal. 2d 412.....	31
Howard vs. Societa Di Italiana, 62 Cal. App. 2d 842-851	25
Humphreys vs. Walsh, 248 F. 414, 419.....	25
Kermit, The, 70 Fed. 2d 363, 367; (9th Cir.).....	26, 28
La Shells vs. Hench, 98 Cal. App. 6, 14, 15.....	27
Lawson vs. O'Brien, 90 F. 2nd 792.....	26
Leavitt vs. Gibsons, 3 Cal. 2d 90, 98.....	12
Lee vs. Hensley, 103 Cal. App. 2d 697.....	31
Lilies vs. Fritz, 117 So. 230, 166 La. 297.....	18
Lilies vs. Texas Co., 117 So. 329, 166 La. 293.....	18
Loeb vs. Kimmerle, 215 Cal. 143.....	12
McCall vs. Superior Ct., 1 Cal. 2d 527.....	35
McCandliss vs. Furland, 296 U. S. 140, 80 L. Ed. 121	12
McGibbon vs. Schneidt, 172 Cal. 70-74.....	22

	Page
McKee vs. McKee, 154 Kan. 340, 118 Pac. 2d 544, 137 A. L. R. 880, 883.....	222
McKnight vs. Taylor, 11 L. Ed. 86, 88.....	25
McMahon vs. Grimes, 206 Cal. 526, 540.....	27
McQuiddy vs. Ware, 20 Wall. 14, 22 L. Ed. 311.....	25
Millers Heirs vs. McIntyre, 31 U. S. 61, 8 L. Ed. 320	25
Morgan S.S. Co. vs. Stewart, 44 So. 138, 143, 115 La. 392.....	11
Moropoulos vs. Fuller Co., 186 Cal. 679-687.....	18
Mox, Inc., vs. Woods, 202 Cal. 675, 678.....	12
Newport vs. Hatton, 195 Cal. 132, 147.....	26
Northern Kentucky Telephone Co. vs. Southern Bell T. & T. Co., 83 Fed. 353; 87 A. L. R. 153.....	12
Penziner vs. West American Finance Co., 133 Cal. App. 578, 1 Am. Jur. 579.....	12
Phillips vs. Carter, 135 Cal. 599.....	31
Philpott vs. Sup. Ct., 1 Cal. 2d 512, 518-523.....	10, 18, 33, 35
Pratt vs. Pratt, 43 Cal. App. 261.....	27
Prevost vs. Gratz, 5 L. Ed. 481 at 496.....	24
Rapides Grocery Co. vs. Clapton, 129 So. 257.....	11
Revert vs. Hesse, 184 Cal. 95, 302, 303.....	12
Robert Hind Limited vs. Silva, (9th Cir.) 75 F. 2d 74-78	26
Sacramento Nav. Co. vs. Salz, 273 U. S. 326, 71 L. Ed. 663, 665.....	17
Sharon vs. Sharon, 75 Cal. 1.....	12
Sounesyn vs. Akin, 12 N. D. 227, 97 N. W. 557, 560- 563	11

	Page
Southern Cal. Iron, Steel & Tin Workers vs. Amalgamated Ass'n of Iron, Steel & Tin Workers, 183 Cal. 604	12
Steiner vs. Rowley, 35 Cal. 2d 413, 420.....	35
Sterman vs. Ziem, 17 Cal. App. 2d 414-420.....	17, 18
Steuerwald vs. Richter, 158 Wis. 597, 149 N. W. 692	34
Suhr vs. Lauterbach, 164 Cal. 591-593, 594.....	22, 27
Title Ins. Co. vs. Cal. Dev. Co., 171 Cal. 173-218.....	22
Wells Fargo Nat. Bank vs. Barnett, 288 Fed. (9th Circuit) 683, 43 A. L. R. 906-919.....	23
Wells vs. Lloyd, 6 Cal. 2d 70.....	12
Wolff & Co. vs. Can. Pac. Ry. Co., 123 Cal. 535, 540	27
Wolpert vs. Gripton, 213 Cal. 474.....	22

Codes, Statutes, etc.

Barron and Hollszoff Federal Practice & Procedure, p. 24.....	15
California Labor Code, Section 2860.....	36
Civil Code, Sections 3281, 3282.....	18, 19
Equity Jurisprudence, Secs. 90, 93, pp. 119, 122.....	15
Moore's Federal Practice, Sec. 8.13.....	14
Page on Contracts, Vol. 3, pp. 2510, 2512.....	33
Pomeroy Code Remedies, Secs. 350, 351, pp. 537-539; Secs. 48, 387, 458.....	16, 32, 36
Rules of Civil Procedure, Rule 8a.....	14
1 Cal. Jur. 2d p. 702.....	16
3 C. J. S. Sec. 138; 286.....	19

	Page
4 Corbin on Contracts, Sections 444, 446.....	17
6 Corbin on Contracts, Sec. 1457.....	17
10 R. C. L. 400, Sec. 417.....	29
15 C. J. S. 1034, 1935.....	17
21 C. J. Sec. 217, pp. 217-219.....	29
28 C. J. S. 1066, note 67.....	18
30 C. J. S. 525, 528.....	26, 27

United States Court of Appeals

For the Ninth Circuit

SEARS, ROEBUCK & CO., a Corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD.; METRO-
POLITAN MAT SERVICE, INC.; GREGORY F.
DUFFY, AUBREY A. DUFFY, ALFRED SMUTZ,
WALTER C. DUFFY and FRANK R. BLADE,

Appellees.

No. 14564

BRIEF OF RESPONDENTS METROPOLITAN ENGRAVERS, LTD., METROPOLITAN MAT SERVICE, INC.; GREGORY F. DUFFY, AUBREY A. DUFFY, ALFRED SMUTZ and WALTER C. DUFFY.

PRELIMINARY

No question is raised as to the jurisdiction of the court; and the statement of appellant is substantially correct. However, it is to be noted that the alleged conspiracy extended over a period of approximately 15 years; that it involved a vast multiplicity of transactions. (R. 17-28). The period was so long that the plaintiff appears to have no record of the transactions prior to 1942, (R. 17); at least none are set forth in Exhibit "A" upon the page cited, yet it claims that

the conspiracy was entered into in 1937 (R. 6) and continued in active operation until 1951 (Complaint par. VIII, R. p. 9). In paragraph VI of the complaint (R. p. 7) it is alleged that

“ . . . said defendant ‘Engravers,’ its officers, agents and representatives above mentioned, and each of them, secretly, fraudulently, unfairly and deceptively conspired and agreed that the defendants ‘Engravers’ and ‘Mat Service’ would pay to, and the defendant Frank R. Blade would receive and accept secret, fraudulent, unfair and deceptive rebates, profits or commissions in the sum of \$400.00 per month in consideration of which said defendant Blade would contract for all engraving to be purchased by the Los Angeles group of stores owned and operated by plaintiff with said defendant ‘Engravers’ and no other person, firm or corporation, and would permit them to charge and would procure plaintiff to pay them sums of money greatly in excess of the then going price for identical quantities of identical or similar engraving current in the Los Angeles market and at prices substantially in excess of the prices which plaintiff would have been charged by competitors of defendants for like quantities of engraving of like grade and quality.”

It is alleged in paragraph X (R. p. 12)

“That pursuant to the conspiracies and agreements hereinbefore alleged, and in furtherance thereof, the defendants ‘Engravers,’ ‘Mat Service’ and their above-named officers, agents and representatives paid to the defendant Blade, and said

defendant Blade received and accepted from them money as a commission, compensation, allowance and rebate in sums which plaintiff alleges on information and belief to have been in excess of \$50,000.00;”

and the complaint concludes with a prayer for \$162,001.45 plus interest and the additional sum of \$250,000.00 as exemplary or punitive damages.

It is affirmatively alleged in the complaint that the market price during all of the term of the conspiracy for engravings of the like quality or grade was \$.030 or less, (Par. VI, R. p. 8), and in paragraph VIII (R. p. 9) it is alleged that the total amount charged by these defendants and paid by plaintiff for engravings from February 6, 1942 to November 29, 1951 was and is the sum of \$563,504.50, and that the market price for like quantities of like grade was the sum of \$421,524.55 (R. p. 10), and on that page it is alleged that

“the dates and amounts of the purchases of engravings made by plaintiff from the defendant ‘Engravers’ during the period of time from on or about January 1, 1937, until on or about February 5, 1942, and the total amount so charged by said defendant ‘Engravers’ and paid by plaintiff for engravings purchased by plaintiff from said defendant ‘Engravers’ during said period of time from on or about January 1, 1937, until on or about February 5, 1942, are not now known by plaintiff, although well known by the defendants, and plaintiff begs leave of this Court to amend

its complaint herein to allege such facts and to offer proof thereof as and when ascertained by plaintiff;"

In paragraph XI of the complaint it is alleged that in July 1951 plaintiff received an anonymous letter stating that some unidentified person who was engaged in purchasing for plaintiff was receiving secret pay-offs, rebates or commissions (R. p. 13); and the plaintiff further alleges that thereupon it commenced an investigation, and in the course of investigation discovered that Blade had personally received a check in the sum of \$400.00 from Metropolitan Mat Service (R. p. 14). As a reason for not making the discoveries sooner plaintiff has nowhere alleged that the fair market price and value of such engravings was not at all times known by it independent of the knowledge possessed by Blades, but it alleges that "the formulas and techniques for computing rates for engraving work of the nature herein involved were matters with which plaintiff had no familiarity or knowledge and concerning which plaintiff was compelled to and did rely upon the knowledge, experience, expertness, loyalty and good faith of its said Advertising Manager, the defendant, Frank R. Blade."

An action was brought by the plaintiff against co-defendant Frank R. Blades in the Superior Court of the State of California, a copy of which is attached as Exhibit "A" to the answer of defendant Blades and appears on pages 38 and 39 of the Record. Upon pages 40-42 appears the affidavit of the Assistant Secretary

of defendant for the attachment, and on page 43-44 is a copy of said writ. A bill of particulars was demanded in that action and is set forth as Exhibit "E" to said answer of respondent Blades on pages 45-47 of the Record. A motion to dismiss was made by these defendants and in support thereof was the affidavit of William J. Clark (R. p. 52-54) in which the facts as to said action in the Superior Court are set forth.

There was a motion to dismiss or for a summary judgment filed prior to the filing of the amended complaint. That motion was granted as to counts I and II and plaintiff was required to amend as to count III. Appeal was taken from the order dismissing the first and second causes of action and never completed. The record, however, is on file, being number 13853 of this court.

In support of that motion was an affidavit of Aubrey A. Duffy which appears upon pages 25-28 thereof, filed for the purpose of showing that evidence that would have been available if the action had been more promptly brought had been lost through the lapse of time. No argument will be made here predicated upon such affidavit, but motion will be made to augment the record by having that affidavit brought up for this Court's consideration.

SUMMARY OF ARGUMENT

These defendants controvert the position of the appellant that appellant has separate and concurrent causes of action by reason of the acts and things done in the course of the alleged conspiracy. Since for the purpose of this appeal the allegations of the complaint must be taken to be true these respondents for the purpose of this appeal only have considered the conspiracy and the fraud arising out of it as actual facts. They contend that a conspiracy is essentially a partnership in crime; that the act of each conspirator is the act of all; that each conspirator is liable for all the acts of his co-conspirators in the course of the conspiracy and for all the effects of such acts. That there is no civil remedy for a conspiracy, but that under the principles stated the conspirators are joint tort feorsors.

We contend that there is but a single invasion of one primary right of the appellant by one continuous wrong on the part of the respondents, and that whatever authorities seem to hold to the contrary are not sound in principle and ought not be followed.

We contend that by seeking to recover from one of the co-conspirators the money which he had received out of the conspiracy, and seeking the benefit of an attachment, the plaintiff elected his remedy. We further contend that if, as alleged in the complaint, we had as the result of such conspiracy received the excessive sums alleged in the complaint, that all of such excess might have been recovered in an action *in assumpsit* for money had and received; and that the

plaintiff will not be permitted in one court to sue upon a contract implied in law, and in another court to sue upon the antecedent fraudulent transaction out of which the implied contract arose; that by suing *in assumpsit* the plaintiff waived the antecedent fraud and is estopped thereby.

The other principal contention of these respondents is that not only has the statute of limitations run against the plaintiff, but there has been so great a lapse of time between the inception of the conspiracy and the bringing of the complaint that it would be inequitable and unjust to permit plaintiff at so late a date to maintain its action; that the length of time has been so great as to give rise to a presumption of plaintiff's acquiescence in the transactions. These questions will be discussed under the headings as set forth below.

I.

PLAINTIFF ALLEGES MERELY THE INVASION OF A SINGLE PRIMARY RIGHT BY A CONTINUING WRONG. THERE IS BUT ONE CAUSE OF ACTION.

II.

THE LAPSE OF TIME HAS BEEN SO GREAT AS TO GIVE RISE TO THE PRESUMPTION THAT EVIDENCE HERETOFORE AVAILABLE TO THE DEFENDANTS IS NO LONGER AVAILABLE.

III.

THE QUESTION OF LACHES IS ADDRESSED PRIMARILY TO THE TRIAL COURT AND IN THE ABSENCE OF A SHOWING THAT HE ABUSED HIS DISCRETION, HIS DECISION WILL NOT BE DISTURBED.

IV.

NO FIDUCIARY RELATIONSHIP EXISTED BETWEEN THESE RESPONDENTS AND THE PLAINTIFF, AND THE RULE OF DILIGENCE IS NOT RELAXED IN FAVOR OF PLAINTIFF FOR THAT REASON.

V.

THAT BY THE ACTION IN THE STATE COURT THE PLAINTIFF WAIVED THE TORT AND ELECTED TO SUE UPON AN IMPLIED CONTRACT IS BEYOND QUESTION.

CONCLUSION**ARGUMENT****I.**

PLAINTIFF ALLEGES MERELY THE INVASION OF A SINGLE PRIMARY RIGHT BY A CONTINUING WRONG. THERE IS BUT ONE CAUSE OF ACTION.

Counsel for appellant have argued with great plausibility that "Appellant has separate and concurrent causes of action" against its agent for commissions received for its use and benefit and against the third party suppliers for their fraud in overcharging appellant. It is our purpose to show that it has a single cause of action for which it is afforded alternate remedies.

In its complaint appellant has alleged a conspiracy between Blades and these respondents; that it was a part of the conspiracy that respondents should charge more than the current rate for their work or product and that Blades should receive \$400.00 per month as the price for his treachery. According to this theory

every \$400.00 payment that Blades received was the consideration for overcharges by respondents, or to state it somewhat differently, the aggregate of the overcharges in a given month and the payment of the four hundred dollars for that month were simply different aspects of a single transaction carried on in the course of a corrupt agreement.

Clearly the primary right of the plaintiff was to be free from all and not merely a part of the effects of such agreement. The appellant had a right to the undivided loyalty of its employee. By a violation of that loyalty two things, according to appellant's pleading, occurred: One, Blades received money which although it was paid by respondents, belonged to appellant; the other, respondents received from appellant a sum of money, part of which was proper remuneration for services rendered and part of which was an unjust enrichment—a receipt by fraudulent means of money which in fair faith and good conscience belonged to appellant.

We do not know of any reason why if appellant had so elected it could not have sued for all these respondents received, to use its own language, beyond the “market value” of the engravings under the common counts for money had and received. (*Philpott vs. Sup. Ct.*, 1 Cal. 2d 512, 518-523).

What we have said finds support in the language of the amended complaint as it appears on pages 7 and 12 of the record from which we have quoted.

In the language first quoted is a very clear statement that there was a fraudulent conspiracy between Blades and these respondents; that the substance of the conspiracy was that Blades was to receive \$400.00 per month of secret profits "in consideration of which" he would procure appellant to pay to respondents "sums of money greatly in excess of the going price for identical quantities of identical or similar engravings." Again we say that both the secret profits and the excessive charges were merely different aspects of the same transaction and that both arose out of the breach of the obligation of loyalty on part of Blades which is very clearly alleged in paragraph V of the amended complaint.

Notwithstanding the authorities cited by appellant, we see no escape from the conclusion that appellant pleaded and intended to plead the breach of that obligation as the primary cause for the action.

In *Frost vs. Witter*, 132 Cal. 421, the court pointed out that an action is simply the right or power to enforce an obligation and this definition has been widely if not universally accepted. "Obligation" may be defined as a duty which one owes to another. It has been defined as a legal duty. (*Crandall vs. Bryan*, 15 How. Pr., N. Y. 48, 53; *Sounesyn vs. Akin*, 12 N. D. 227, 97 N. W. 557, 560-563; *Daube vs. U. S.*, 1 F. Supp. 771; *Goodwin vs. Freadrick*, 280 N. W. 917, 293; *Morgan SS Co. vs. Stewart*, 44 So. 138, 143, 115 La. 392; *Rapides Grocery Co. vs. Clapton*, 129 So. 257; *Colter*

vs. State, 39 S. W. 576, 577, 38 Tex. Cr. App. 284; *Sharon vs. Sharon*, 75 Cal. 1.)

What then was the duty of each co-conspirator other than to restore to appellant all that they together had received through the conspiracy in excess of that to which they were lawfully entitled?

Each conspirator is jointly and severally liable for all the injury resulting from the conspiracy. (*McCandliss vs. Furland*, 296 U. S. 140, 80 L. Ed. 121; *Harriss vs. Indemnity Ins. Co.*, 93 F. 2d 459; *Northern Kentucky Telephone Co. vs. Southern Bell T. & T. Co.*, 83 Fed. 353; 87 A.L.R. 153; *Wells vs. Lloyd*, 6 Cal. 2d 70; *Leavitt vs. Gibson*, 3 Cal. 2d 90, 98; *Mox Inc. vs. Woods*, 202 Cal. 675, 678; *Southern Cal. Iron, Steel & Tin Workers vs. Amalgamated Ass'n of Iron, Steel & Tin Workers*, 183 Cal. 604; *Revert vs. Hesse*, 184 Cal. 95, 302, 303; *Penziner vs. West American Finance Co.*, 133 Cal. App. 578, 1 Am. Jur. 579; *Bowman vs. Wohlhe*, 166 Cal. 121; *Loeb vs. Kimmerle*, 215 Cal. 143.)

In *Revert vs. Hesse*, *supra*, 184 Cal. at 303, the Court said of defendants Sidney Beach and Orville Hesse, who acted only as trustees or agents for their co-defendant and received no remuneration:

“Plaintiff’s omission to prove that said defendants, Sidney Beach and Arvilla Hesse, received pecuniary compensation is immaterial. Those who aid in the commission of a wrongful act by another are liable for the resulting damages although they expected no benefit from the wrongful act and received none.”

(citing *Brumsley vs. Speedway Co.*, 138 Tenn. 534; *Breedlove vs. Bundy*, 96 Ind. 319; *Felsenitral vs. Thieben*, 23 Ill. App. 569.)

Therefore, it is of no importance that none of these defendants received any part of the four hundred dollars per month that the complaint alleges was paid to Blades. Every one of them upon the facts alleged was just as liable to plaintiffs as Blades himself. The money received by Blades was fruit of the conspiracy. It belonged to appellant. All conspirators were liable for it. If we were to assume that the payments to Blades were made for help given outside his hours of employment in arranging the matter to be engraved for the engravers still the money so received would belong to plaintiff.

But that is so because however innocent the transaction, the employee may not receive anything in the course of his employment except his wage or salary. The law prohibits it. The receipt may not be *malem per se*. It may be only *malem prohibitum*.

But here the receipt of the money was as much the fruit of the conspiracy as the payment of the overcharge. Both are parts of the same scheme. Both arose out of the same fraudulent acts. Both are part of the damage sustained by plaintiff. Both were made possible by the same breach of duty. Whatever claim the plaintiff had against Blades, it was founded upon the same obligation out of which arose its claim against these respondents. To establish its claim here it must

prove the same facts that it relied upon in the Superior Court.

Although the Rules of Civil Procedure no longer recognize a cause of action and have done away with the formal pleading necessary to allege one, in their essence a claim for relief and a cause of action are the same. A cause of action is simply an obligation which the law recognizes and the courts enforce. (*Frost vs. Witter*, 132 Cal. 421.) So Rule 8a in providing that a claim for relief shall contain a short and *plain statement of the claim showing that the pleader is entitled to relief* means no less than that the pleading must show an enforceable obligation. And where it shows an unlawful combination through which the plaintiff has not only been defrauded but also that money has come into the hands of one of the conspirators not by means extraneous to the fraud but as part of the fruits thereof, it alleges only one indivisible obligation—only one claim which is entitled to relief. Unless this court is prepared to hold that a claim which is entitled to relief is less than the entire obligation and that what constitutes a cause of action may be split into as many claims as the ingenuity of the pleader can devise, it must hold that only the invasion of one primary right, that is, one obligation or cause of action, has been pleaded both in the state action and here. “The pleading still must state a ‘cause of action’ in the sense that it must show ‘the pleader is entitled to relief.’ ”

Moore’s Federal Practice, Sec. 8.13.

The Rules of Civil Procedure are very largely based on the old equity rules (Barron and Hollszoff Federal Practice and Procedure, page 24) and the spirit of equity jurisprudence pervades them. In his work on Equity Jurisprudence (Section 90, page 119) Mr. Pomeroy uses this language:

“All the commands and rules which constitute the ‘private civil law’ create two classes of rights and duties the ‘primary’ and the ‘remedial’. The primary rights and duties form the body of the law; they include all the rights and obligations of property, of contract and of personal status.”

He classifies primary rights as “real” and “personal” (Sec. 93, p. 122) and subdivides “real rights” into rights of property, rights of personal security, and rights which certain classes of persons have over other persons *standing in domestic relation to themselves*. (Ibid. Sec. 94). The personal rights he considers as falling into two genera, namely, rights arising from contracts and rights arising not from contracts but from some existing relation between two specific persons or groups which relation is generally created by law. (Ibid. Sec. 95, page 123) and he says “this general classification embraces all primary rights and duties both legal and equitable which belong to the private civil law.” (Ibid. page 124).

In Code remedies, Sec. 16, p. 28, the same author says:

“The new system not only permits but encourages—and, in its spirit I believe requires—such a

union and combination (of legal and equitable actions); for one of its elementary notions is that all the possible disputes or controversies arising out of or connected with the same subject matter or transaction should be settled in a single judicial action." (Emphasis added.) (See *Alexander vs. Hillman*, 296 U. S. 222, 80 L. Ed. 192-201).

"Each separate tort is the basis of a single cause of action, and but a single one, and all damages arising from a single wrong thereof at different times comprises but one cause of action."

(1 Cal. Jur. 2d p. 702).

"Rejecting, therefore, all those portions of the pleading which describe the remedy or relief demanded, the inquiry should be directed exclusively to the allegations of fact which set forth the primary right of the plaintiff and the wrong done by the defendant. If one such right alone, however comprehensive, is asserted and one such wrong alone, however complex, is complained of, but one cause of action is alleged." (Pomeroy Code Remedies, Sec. 351, pp. 537-539.)

With these principles in mind we return to the question whether there was an invasion of two primary rights or only one. Since no domestic relation is involved, we need not further consider those rights that arise out of such relation. We do have the relation of employer and employee. This is a contractual relation and clearly it is implied by the law that the employee will be faithful to the employer; or if we consider the relation as that of principal and agent, the duty of

fidelity is even more strongly implied and a breach of what is implied is as much a breach of the contract as what is expressed.

Sacramento Nav. Co. vs. Salz, 273 U. S. 326, 71 L. Ed. 663, 665;

4 *Corbin on Contracts*, Sections 944, 946.

“Any bargain by which an agent or other fiduciary receives or is promised any compensation or personal advantage in return for his advising or influencing his principal is illegal and fraudulent. Such fraudulent compensation usually comes from a third party who is dealing with the principal for whom the agent is acting.”

6 *Corbin on Contracts*, Sec. 1457.

We contend that the primary right possessed by plaintiff arose out of the implication that its agent or trustee would act only for its interest in dealing with defendants; that the wrong consisted in a corrupt agreement between the defendant, Blades, and his co-defendants; that for that wrong the law has provided remedies commensurate with the injury inflicted; the wrongful acts done in pursuance of the conspiracy constitute the grounds of the action. (15 C.J.S. 1035.) And “all the facts which are material and necessary to constitute the cause of action relied on, such as for a conspiracy to defraud or injure business” should be alleged in ordinary and concise language. (15 C.J.S. 1034). The action sounds in tort (*Sterman vs. Ziem*, 17 Cal. App. 2d 414) and the plaintiff may sue the fidu-

ciary and the third party for damages on the conspiracy or he may sue the third party alone.

Sterman vs. Ziem, 17 Cal. App. 2d 414-420;
Moropoulos vs. Fuller Co., 186 Cal. 679-687.

And conversely, we think the plaintiff may sue the third party and the fiduciary for damages or he may sue the fiduciary alone.

One thing more he can do, namely, he can waive the tort and sue *in assumpsit* upon the contract implied in law.

Hallidie vs. Enginer, 125 Cal. at 508;
Philpott vs. Sup. Ct., 1 Cal. 2d 512-520.

But where the tort is of such a character as to afford the plaintiff the right to sue *in assumpsit*, the adoption of one remedy is a bar to the other. (Note 67 in 28 C.J.S. 1066, citing *Lilies vs. Texas Co.*, 117 So. 329, 166 La. 293; *Lilies vs. Fritz*, 117 So. 230, 166 La. 297; *Arnold Realty Co. vs. Wm. K. Toole Co.*, 115 Atl. 565, 44 R. I. 83).

We submit therefore that there has been but one primary right of plaintiff invaded by one wrong in which all these defendants participated and for all the results of which they are jointly and severally liable; that the damages to plaintiff consisted not only in the excessive payments but also in the loss of the faithful services of defendant Blades; that the loss of faithful services of Blades constitutes detriment (C. C. Sec. 3282) for which damages are recoverable (C. C. Sec.

3281; 3 C. J. S., Article Agency, Sec. 138; Sec. 286); and if by that breach of fidelity, money has come into the hands of the agent which the law does not permit him to retain although as in other cases where money has come into the hands of one which in good conscience belongs to another—although as a remedy for the antecedent wrong namely the trespass upon plaintiff's primary right—the law implies a contract to pay the principal the money wrongfully received, still that right is remedial only and may be resorted to in lieu of other remedies and when so resorted to is exclusive.

Therefore we say as to the cases cited by appellant on pages 11-23 of its brief, so far as they are in point here, are not sound in principle and ought not be followed. The law should not and does not burden the defrauded party with the necessity of maintaining a number of actions to obtain complete relief from one transaction.

Alexander vs. Hillman, supra.

II.

THE LAPSE OF TIME HAS BEEN SO GREAT AS TO GIVE RISE TO THE PRESUMPTION THAT EVIDENCE HERETOFORE AVAILABLE TO THE DEFENDANTS IS NO LONGER AVAILABLE.

If the court did not take judicial notice of the fact that plaintiff is a gigantic corporation possessing great resources and an organization correspondingly great, there is enough pleaded to warrant an inference of those facts. It is a New York corporation engaged in selling general merchandise in retail stores and by mail. It has a Los Angeles group of stores that paid to these defendants for engravings to be used in its advertisements for the Los Angeles group in a little less than ten years over half a million dollars. Other facts indicating somewhat the magnitude of its operation are that Blades was advertising manager for the Los Angeles stores only. It is a fair inference that each other group of stores also had an advertising manager; that the services of the advertising managers of other groups were at all times available to the management of the Los Angeles group; and that the advertising managers of other groups were as familiar with the formulas and techniques for computing rates for engraving work as defendant Blades.

It is not, and cannot be alleged that during the long period of time plaintiff made payments without knowledge of the respective amounts and the basic rate charged. It appears affirmatively that it now possesses

the knowledge that the "market price" for such engravings was, from the formation of the conspiracy down to the present time, \$.030 per unit or less. If it now knows the market price of such engraving for the remote years following the inception of the conspiracy it must have known the fact at the time of payment and there is no allegation to the contrary.

It knew the market price; it knew the amounts being paid, and it had within its organization other men than Blades through whom it could have learned that the price being paid by it was excessive. Yet for fifteen long years it continued to make such payments without investigation or complaint.

As the result of this long delay it is no longer able to allege the facts positively and does not now know the total amount it paid to these respondents and must rely on them to furnish the necessary information (Comp. par. VIII, R. p. 10). It does not know but only is informed and believes that the amount paid to these respondents was in excess of the fair market price (Ibid). The amount of such excess is now unknown to plaintiff but it is informed and believes that the same is well known to defendants. (Ibid. R. p. 8).

If the plaintiff, with its organization, no longer knows the facts constituting the gravamen of its claims as the latter relates to these bygone years, is it reasonable to suppose the defendants are in any better situation as to the facts constituting their defense? Since that remote period the greatest war of all time has been fought; nations have disappeared from the map; the

greatest destructive agency ever discovered by man has been used with devastating force; one by one medical science has recorded its victories over the most dreaded disease; new occupations have claimed the energies of man, and there has been added to the City of Los Angeles an additional population of metropolitan size and character. It is unreasonable to suppose that the situation of the defendants has remained unchanged during this period.

In the ordinary course of business employees have died or moved away; documents once available have been lost; memories have been blunted by the lapse of time, and there has arisen a presumption that plaintiff had full knowledge of the facts of which it now complains, acquiesced in the receipt by Blades of the four hundred dollar payments and was willing to pay these respondents their charges for their promptness, skill and efficiency.

- Suhr v. Lauterbach*, 164 Cal. 591-593;
Title Ins. Co. v. Cal. Dev. Co., 171 Cal. 173-218;
McGibbon vs. Schneidt, 172 Cal. 70-74;
Wolpert vs. Gripton, 213 Cal. 474;
Allen vs. California Bldg. Assoc., 22 Cal. 2d 474,
 482, 483;
Goodfellow vs. Barrett, 130 Cal. App. 548-560,
 561;
Cahill vs. Sup. Ct., 145 Cal. 42, 47;
McKee vs. McKee, 154 Kan. 340, 118 Pac. 2d
 544, 137 A.L.R. 880, 883;

Wells Fargo Nat. Bank vs. Barnett, 288 Fed.
(9th Circuit) 683, 43 A.L.R. 906-919;
Godden vs. Kimmell, 99 U. S. 206, 25 L. Ed. 431,
434.

“But there is a defense peculiar to the courts of equity founded on lapse of time and the staleness of the claim where no statute of limitations governs the case. Such courts in such cases often act on their own inherent doctrine of discouraging for the peace of society antiquated demands by refusing to interfere where there has been gross laches in prosecuting the claim or long acquiescence in the assertion of adverse claims. (Citing cases).

“Authorities to support that proposition are numerous and decisive, nor is it necessary to look beyond the decisions of this court for the purpose. Lapse of time, said Mr. Justice Thompson, and the death of the parties to the deed have always been considered in a court of chancery entitled to great weight and almost controlling circumstances where the controversy grows out of State transactions.”

Godden vs. Kimmell, supra, 21 L. Ed. at 434.

There is grave danger after the lapse of so long a time in relying “on the frail memory or active imagination of ancient witnesses who may not be able after a great lapse of time to distinguish between their faith and their knowledge, between things seen and heard by themselves, and those received from family or neighborhood gossip, or that most unsafe of all testi-

mony, conversations and confessions—remembered or imagined—partially stated or wholly misrepresented.”

Badger vs. Badger, 2 Wall. 87, 17 L. Ed. 836, 838.

In *Prevost vs. Gratz*, 5 L. Ed. 481 at 496, the Court said:

“ . . . But length of time necessarily obscures all human evidence; and as it thus removes from the parties all the immediate means to verify the nature of the original transactions, it operates by way of presumption, in favor of innocence, and against imputation of fraud. It would be unreasonable, after a great length of time, to require exact proof of all the minute circumstances of any transaction, or to expect a satisfactory explanation of every difficulty, real or apparent, with which it may be incumbered. The most that can fairly be expected in such cases, if the parties are living, from the frailty of memory, and human infirmity, is, that the material facts can be given with certainty to a common intent; and, if the parties are dead, and the cases rest in confidence, and in parol agreements, the most that we can hope is to arrive at probable conjectures, and to substitute general presumptions of law, for exact knowledge. Fraud, or breach of trust, ought not lightly to be imputed to the living; for, the legal presumption is the other way; and as to the dead, who are not here to answer for themselves, it would be the height of injustice and cruelty to disturb their ashes, and violate the sanctity of the grave, unless the evi-

dence of fraud be clear, beyond a reasonable doubt.”

So, we say there has been here such a lapse of time as to raise a presumption against the imputation of fraud.

Nothing can call a court of equity into activity but conscience, good faith and diligence.

McKnight vs. Taylor, 11 L. Ed. 86, 88;

Millers Heirs vs. McIntyre, 31 U. S. 61, 8 L. Ed. 320;

McQuiddy vs. Ware, 20 Wall. 14, 22 L. Ed. 311;

Howard vs. Societa Di Italiana, 62 Cal. App. 2d 842-851;

Chaplin vs. Sullivan, 67 Cal. App. 728-737;

Humphreys vs. Walsh, 248 F. 414, 419.

The further division of labor; the broader fields occupied by industry and commerce; the greater number of people who live in apartment houses or purchase homes on installments with only small payments, are conditions which have resulted in recent years in a more rapid shifting of population and more extensive accumulation of business records. The probability, therefore, of evidence becoming lost during the last 15 years by reason of the removal of people who know the facts to different locations, and by records having become so voluminous that the older records have necessarily been lost or destroyed, is greater than during any previous period. Indeed, when the plaintiff has been obliged in its pleading to admit that it no longer

knows facts necessary to entitle it to the relief demanded, by that admission it gives strong emphasis, indeed almost to certainty, that what has happened to amounting indeed almost to certainty, that what has happened to it with its greater resources has happened to a greater extent to these respondents.

III.

THE QUESTION OF LACHES IS ADDRESSED PRIMARILY TO THE TRIAL COURT AND IN THE ABSENCE OF A SHOWING THAT HE ABUSED HIS DISCRETION, HIS DECISION WILL NOT BE DISTURBED.

Undoubtedly what constitutes laches is to be determined in the light of the circumstances of each particular case. There is no absolute rule as to what constitutes laches or staleness of demand, and no one decision constitutes a precedent in the strict sense for another, but each case is to be determined according to its own particular circumstances.

30 C. J. S. 525;

Cleveland Clinic Foundation vs. Humphreys,
97 F. 2d 849;

The Kermit, 70 Fed. 2d 363, 367; (9th Cir.)

Lawson vs. O'Brien, 90 F. 2nd 792;

Robert Hind Limited vs. Silva, (9th Cir.) 75
F. 2nd 74-78;

D. O. Haynes & Co. vs. Druggists Cir. Co., 32
F. 2nd 215, 217;

Newport vs. Hatton, 195 Cal. 132, 147;

La Shells vs. Hench, 98 Cal. App. 6, 14, 15;
Davis vs. Schneider, 91 Cal. App. 631, 635;
Freeman vs. Donohoe, 65 Cal. App. 65, 93;
Pratt vs. Pratt, 43 Cal. App. 261;
Suhr vs. Lauterbach, 164 Cal. 591, 593, 594;
Akley vs. Bassett, 189 Cal. 625, 647, 648;
McMahon vs. Grimes, 206 Cal. 526, 540;
Chapman vs. Bank of California, 98 Cal. 155;
Wolff & Co. vs. Can. Pac. Ry. Co., 123 Cal. 535,
 540;
Dufour vs. Weissberger, 172 Cal. 223, 225;
Carr vs. Sacramento Clay Products Co., 35 Cal.
 App. 439;
Calif. Bond Co. vs. Washburn, 94 Cal. App.
 530, 532.

Other cases will be found in Footnote 42, 30 C.J.S. 528.

Since the question is addressed to the trial court the burden rests upon the plaintiff in such a case as this to allege such state of facts in the complaint as leaves no room for the question to be decided adversely to such plaintiff. It is for the trial judge to determine whether under the circumstances shown on the face of the complaint (or otherwise brought to the attention of the court) there is so strong a presumption that the evidentiary facts have become obscured to such an extent that it would be inequitable to permit the plaintiff to proceed. In making that determination the trial judge had a right to consider that it appears upon the face of the complaint "that the dates and amounts of

the purchases of engravings made by plaintiff from defendant 'Engravers' during the period of time from on or about January 1, 1937 until on or about February 5, 1942 . . . are not now known by the plaintiff. The trial court had a right to consider that the total amount so charged by said defendant 'Engravers' and paid by plaintiff for engravings purchased by plaintiff from said defendant 'Engravers' during said period of time from on or about January 1, 1937 until on or about February 5, 1942 are not now known by plaintiff." The court had a right to question the plaintiff's ability to prove that said total amount was in excess of the fair market price and value of the engravings and to determine that the information possessed by the plaintiff at this remote date is based "on the frail memory or active imagination of ancient witnesses . . . not able after so long a lapse of time to distinguish between their faith and their knowledge." If there was nothing other than the lapse of time and this allegation in the plaintiff's complaint, these alone would be ample to warrant the trial judge in making a finding of laches and to relieve him from any imputation of having abused his discretion.

In *The Kermit*, 76 Fed. 2d 363, at 367, this Court having the question of laches before it, said:

"There is no absolute rule as to what constitutes laches or staleness of demand, and no one decision constitutes a precedent in the strict sense for another. Each case is to be determined according to its own particular circumstances. In other

words, the question of laches is addressed to the sound discretion of the chancellor, and his decision will not be disturbed on appeal unless it is so clearly wrong as to amount to an abuse of discretion. In determining whether there has been laches, there are various things to be considered, notably the duration of the delay in asserting the claim, and the sufficiency of the excuse offered in extenuation of the delay, whether plaintiff acquiesced in the assertion of operation of the corresponding adverse claim, the character of the evidence by which plaintiff's right is sought to be established, whether during the delay the evidence of the matters in dispute has been lost or became obscured or the conditions have so changed as to render the enforcement of the right, inequitable, whether third persons have acquiesced intervening rights. . . ." 21 C. J. Sec. 217, pp. 217-219.

"Several conditions may combine to render a claim or demand stale in equity. If by the laches and delay of the complainant it has become doubtful whether adverse parties can command the evidence necessary to a fair presentation of the case on their part, as, for instance, where parties interested and witnesses have died in the interim, or if it appears that they have been deprived of any advantages they might have had if the claim had been seasonably insisted on, or if they be subjected to any hardship that might have been avoided by reasonably prompt proceedings, a court of equity will not interfere to give relief, but will remain passive; and this although the full time may not have elapsed which would be required to bar a remedy at law. . . ." 10 R.C.L. 400, Sec. 417.

“As the decisions indicate, the question of laches is addressed to the sound discretion of the trial judge, and his decision will not be disturbed on appeal unless it is so clearly wrong as to amount to an abuse of discretion. In this case we cannot say that the lower court abused its discretion.”
(Emphasis ours.)

We think a stronger case is presented by the pleading in this case than was shown by the record in that one.

IV.

NO FIDUCIARY RELATIONSHIP EXISTED BETWEEN THESE RESPONDENTS AND THE PLAINTIFF, AND THE RULE OF DILIGENCE IS NOT RELAXED IN FAVOR OF PLAINTIFF FOR THAT REASON.

We have examined the cases cited by the appellant on page 41 of his brief. Without exception those were cases in which the action was brought only by one fiduciary against another. They have no application to the facts in this case. We note that demurrers were sustained in *Bainbridge v. Stoner*, 16 Cal. 2d 423, and *Lee v. Hensley*, 103 Cal. App. 2d 697. However, we contend that the cases do not sustain the doctrine laid down, namely, that lack of diligence of discovery is inapplicable to fraud, which has its inception in a fiduciary relationship. The true rule is that in such cases a lesser degree of diligence is required than where the relation does not exist. That diligence is required to make discovery, and neglect is not excused even though the fiduciary relationship exists, was held in *Phillips v. Carter*, 135 Cal. 599. To the same effect see *Hannigan v. Yolo Fliers Corp.*, 208 Cal. 697. The strongest of the cases cited in support of the proposition is *Hobart v. Hobart*, 26 Cal. 2d 412, but even that case, as we understand it, does not excuse neglect, but only relaxes the strict requirement of diligence. In other words, *the same degree of diligence* is not required where the transaction is between fiduciaries.

V.

**THAT BY THE ACTION IN THE STATE COURT
THE PLAINTIFF WAIVED THE TORT AND
ELECTED TO SUE UPON AN IMPLIED CON-
TRACT IS BEYOND QUESTION.**

The action in the state court was in *assumpsit* for money had and received. In his Code Remedies, Sec. 48, Mr. Pomeroy says:

“The general classification being made of actions *ex contractu* and those *ex delicto*, there were many cases in which a party who had suffered a wrong by the conversion or the taking and carrying away of his chattels might waive the tort and bring an action of *assumpsit* upon the wrongdoer's implied promise to pay the price of the articles taken. The same election still exists.”

In Sec. 387 the author says:

“In certain cases the plaintiff is allowed an election to treat the wrong done as a tort or to waive the tort and sue as upon an implied promise of the defendant. When this is permitted a cause of action of such a nature in which the tort has been waived and the claim placed upon the footing of an implied promise may be joined with causes of action arising out of any other form of contract express or implied.”

In Sec. 458 the author says:

“Intimately connected with the questions last discussed as to the proper forms of actions and the

relation between the allegations and the proofs is the subject indicated by this heading: between actions *ex delicto* and actions *ex contractu*, that is, the power held by the plaintiff under certain circumstances of choosing whether he will treat his cause of action as arising from tort or from contract. This right of election sometimes occurs when the contract is express; but on account of the tortuous acts of the defendant the plaintiff may disregard it and sue directly for the wrong. In the great majority of instances, however, the contract invoked and made the basis of the suit is implied. But theory of the implied promise and its invention in order that certain classes of liabilities might be enforced by means of the action of *assumpsit* have already been explained. As the fictitious promise was implied or inferred by the law from actual omissions of the defendant which created a liability *ex aequo et bono*. It sometimes happens that these acts or omissions are tortuous in their nature. In such a case therefore, the liability could be regarded in a double aspect; namely, as directly springing from the tort committed by the wrongdoer or as arising from the promise to make compensation which the law implied and imputed to him."

In *Philpott v. Sup. Ct.*, 1 Cal. 2d 512, the Court traced the history of *assumpsit* and quoted from Page on Contracts, Vol. 3, pages 2510, 2512, as follows:

"If 'A' receives money which belongs to 'B' under circumstances which give 'A' no right thereto, but which bind 'B' on principles of justice and

fairness to repay such money to 'B', the common law allowed 'B' to sue as on contract although there was no express contract and no real implied contract in order to prevent 'A's' unjust enrichment at 'B's' expense. This principle has survived in our law and an action as upon contract will lie for money had and received wherever one party has received money which belongs to another and which in 'equity and good conscience' or, in other words, in justice and right, should be returned. Since the contract alleged in the plaintiff's complaint is often purely fictitious, the plaintiff's right to recovery in a contract does not depend upon any principles of privity of contract between the plaintiff and the defendant, and no privity is necessary."

and in the same case (1 Cal. 2d 523) the Court quoted from *Steuerwald v. Richter*, 158 Wis. 597, 149 N.W. 692, as follows:

"Although the action is legal in form the right to recover is in its nature equitable and can only be enforced where the defendant has received money which in equity and good conscience he ought to pay to the plaintiff."

Such money must necessarily be received because of some contractual relation between the parties, in which case there is a privity of contract, or it must be received as the result of some tortuous act, in which case the law implies a promise to pay the money although no privity of contract exists.

In order, therefore, for appellant's position to be sound, it must be necessary for Blades to have received the money other than by way of the commission of a tort, in which case there could be no such conspiracy as plaintiff has alleged.

We see no escape, therefore, from the conclusion that the implied contract upon which appellant sued in the state court was a contract implied by law to restore the proceeds of a fraudulent conspiracy. Certainly it was an action *ex contractu* according to all the authorities. (See *Philpott vs. Sup. Ct.*, *supra*; *McCall vs. Sup. Ct.*, 1 Cal. 2d 527.)

It was an action arising out of the very fraud that is pleaded here. It was pleaded there to the end that the plaintiff might have the benefit of a writ of attachment, which it could not have if it sued in tort. By its bill of particulars the plaintiff admitted a suit in the state court for "secret profits received by defendant Frank R. Blades and on account of Sears-Roebuck & Co." In its complaint here it alleges that those secret profits were paid in the course of a conspiracy to defraud the plaintiff, for the consequences of which conspiracy all the conspirators are liable.

In the cases last above cited and in *Steiner v. Rowley*, 35 Cal. 2d 413, 420, it has been held that such actions were inconsistent.

CONCLUSION

We have not examined the cases cited on page 10 of Appellant's Brief, for we are in complete accord with them. We are not able to agree, however, that the state action against Blades did not arise out of a waiver of the tort. The money which came into his possession did so by reason of a course of wrongful conduct on his part. We are not here concerned with the case in which an employee lawfully acquired by virtue of his employment money in addition to his compensation, but we are concerned here with a case in which the very acquisition of the money was a fraud upon the employer. If Section 2860 of the California Labor Code had never been enacted, the plaintiff's rights under the circumstances of this case would be precisely the same.

In the concluding section of plaintiff's brief, Section 350 of Pomeroy's Code Remedies is quoted. We supply emphasis to the first word "*If* two separate and distinct primary rights *could* be invaded by one and the same wrong," his language indicating a doubt in the author's mind of such possibility existing. We have supplied emphasis to make this apparent.

The learned Judge of the court below reached a correct conclusion. The appellant has utterly failed to show any abuse of discretion and the judgment should be affirmed.

Respectfully submitted,

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No. 14564.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SEARS, ROEBUCK & Co., a Corporation,

Appellant,

vs.

METROPOLITAN ENGRAVERS, LTD.; METROPOLITAN MAT
SERVICE, INC.; GREGORY F. DUFFY, AUBREY A. DUFFY,
ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

APPELLANT'S OPENING BRIEF.

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TOPICAL INDEX

PAGE

I.

Statement as to jurisdiction.....	1
-----------------------------------	---

II.

Statement of the case.....	2
----------------------------	---

III.

Specification of errors.....	7
------------------------------	---

IV.

Summary of argument.....	7
--------------------------	---

Argument	9
----------------	---

I.

Appellant has separate, distinct and concurrent causes of action (a) against its agent for commissions received for its use and benefit, and (b) against its agent and the third party suppliers for their fraud in overcharging appellant....	9
--	---

II.

The state court action against the agent Blade for money had and received rests upon an entirely different theory than the claimed recovery of damages for fraud in the present action	24
If the state court action constituted an affirmance of the engraving purchases, the right to recover damages none the less remained	28

III.

The doctrine of election of remedies has application only in the case of inconsistent remedies.....	31
---	----

IV.

Even though the actions might have been joined, a party may nevertheless bring separate suits on separate causes of action	36
--	----

V.

The statute of limitations did not commence to run until December 10, 1951, at the earliest.....	40
--	----

Conclusion	42
------------------	----

ii.

TABLE OF AUTHORITIES CITED

CASES	PAGE
Anderson v. Thacher, 76 Cal. App. 2d 50, 172 P. 2d 533.....	10, 39, 41
Anglo-California National Bank v. Lazard, 106 F. 2d 693; cert. den., 308 U. S. 624, 84 L. Ed. 521.....	39, 41
Bagdasarian v. Gragnon, 31 Cal. 2d 744, 192 P. 2d 935.....	29
Bainbridge v. Stoner, 16 Cal. 2d 423, 106 P. 2d 423.....	41
Barnsdall, et al. v. O'Day, et al., 134 Fed. 828.....	19
Barron Estate Co. v. Woodruff Co., 163 Cal. 561, 126 Pac. 351..	41
Bauman v. Harrison, 46 Cal. App. 2d 84, 115 P. 2d 530.....	32
Callinan v. Federal Cash Register Co., et al., 3 F. R. D. 177....	12, 36
City of Findlay v. Pertz, et al., 66 Fed. 427.....	22
Dant & Dant of Kentucky, In re, 39 Fed. Supp. 753; aff'd, 125 F. 2d 108.....	30
Estrada v. Alvarez, 38 Cal. 2d 386, 240 P. 2d 278.....	33
Friederichsen v. Renard, 247 U. S. 207, 62 L. Ed. 1075.....	32
Glaspie v. Keator, et al., 56 Fed. 203.....	21
Goodrich v. Naples, 121 Fed. Supp. 345.....	10, 39, 41
Hobart v. Hobart Estate Co., 26 Cal. 2d 412, 159 P. 2d 958.....	41
Insurance Co. of North America v. Fourth Natl. Bank, 28 F. 2d 933	34, 35
Kaluzok v. Brisson, 27 Cal. 2d 760, 167 P. 2d 481.....	30
Knapp v. Knapp, 15 Cal. 2d 237, 100 P. 2d 759.....	41
Kuntz v. Tonnele, 80 N. J. Eq. 373, 84 Atl. 624.....	15
Lee v. Hensley, 103 Cal. App. 2d 697, 230 P. 2d 159.....	41
Lomita Land & Water Co. v. Robinson, 154 Cal. 36, 97 Pac. 10	10
Mayor of Salford v. Lever (Eng., 1891), 1 Q. B. 168.....	16
Palpar, Inc. v. Thayer, 83 Cal. App. 2d 809, 189 P. 2d 752.....	36
Paolini v. Sulprizio, 201 Cal. 683, 258 Pac. 380.....	30

Perkins v. Benguet Cons. Min. Co., 55 Cal. App. 2d 720, 132 P. 2d 70.....	32
Petrol Corporation v. Chartrand, 93 Cal. App. 2d 635, 209 P. 2d 674	10, 26
Ramey v. Myers, 111 Cal. App. 2d 679, 245 P. 2d 360.....	10, 26
Robb v. Vos, 155 U. S. 13, 39 L. Ed. 52.....	34, 35
Rutherford v. Rideout Bank, 11 Cal. 2d 479, 80 P. 2d 978.....	41
Savage v. Mayer, 33 Cal. 2d 548, 203 P. 2d 9.....	10, 24, 25, 33, 37
Steiner v. Rowley, 35 Cal. 2d 713, 221 P. 2d 9.....	33
Tarnowski v. Resop, 236 Minn. 33, 51 N. W. 2d 801.....	13, 28
Thomas v. Snyder, 114 Cal. App. 397, 300 Pac. 117.....	10
Tobin Grocery Co. v. Spry, 204 Cal. 247, 267 P. 2d 694.....	10
Treadwell v. Nickel, 194 Cal. 243, 228 Pac. 25.....	28
United States v. Pan-American Petroleum Co., 55 F. 2d 753; cert. den., 287 U. S. 612.....	37, 42
Victor Oil Co. v. Drum, 184 Cal. 226, 193 Pac. 243.....	41
Woodbury v. Potter, 158 F. 2d 194.....	38

STATUTES

Civil Code, Sec. 1985.....	24
Civil Code, Sec. 3294.....	28
Code of Civil Procedure, Sec. 338(4).....	8
Labor Code, Sec. 2860.....	10, 24, 33
United States Code, Title 28, Sec. 1291.....	1
United States Code, Title 28, Sec. 1332.....	1

TEXTBOOKS

2 American Jurisprudence, Sec. 425, p. 333.....	27
13 American Law Reports, p. 905, anno.....	10
71 American Law Reports, p. 923, anno.....	10
102 American Law Reports, p. 115, anno.....	10

	PAGE
1 California Jurisprudence 2d, Sec. 76, p. 703.....	37
12 California Jurisprudence, Sec. 49, p. 781.....	30
17 California Jurisprudence 2d, Sec. 7, p. 229.....	32
Pomeroy's Code Remedies (5th Ed.), Sec. 350.....	42
Restatement of Law of Agency, Sec. 97.....	30
2 Restatement of Law of Agency Sec. 312.....	10
2 Restatement of Law of Agency, Sec. 313(1).....	10
2 Restatement of Law of Agency, Sec. 407(2)	11, 14

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ALFRED SMUTZ, WALTER C. DUFFY and FRANK R.
BLADE,

Appellees.

APPELLANT'S OPENING BRIEF.

I.

Statement as to Jurisdiction.

This is an action for damages for fraud. Jurisdiction in the District Court on the action existed under Section 1332, Title 28, United States Code [see allegations at R. 3-5].

Jurisdiction of this court on appeal exists under Section 1291, Title 28, United States Code.

II.

Statement of the Case.

This appeal is taken from a judgment of dismissal in favor of defendants Metropolitan Engravers, Ltd., Metropolitan Mat Service, Inc., Gregory F. Duffy, Aubrey A. Duffy, Alfred Smutz, and Walter C. Duffy [R. 95-96] and from a summary judgment in favor of the defendant Frank R. Blade [R. 94-95]. The nature of the pleadings upon which these judgments were based cannot be better summarized than by adopting the summary of the facts contained in the memorandum opinion of the trial court, which opinion was reported in 123 Fed. Supp. 136 [R. 65-87]. These facts were stated by the trial court as follows:

“By its amended complaint the plaintiff seeks to recover damages for fraud from Blade (its former employee for many years), Metropolitan Engravers, Ltd., a corporation; Metropolitan Mat Service, Inc., another corporation; Gregory F. Duffy, Aubrey A. Duffy, and Walter Duffy, and Alfred Smutz, officers and directors of those two corporations, and Barnard Engraving Company, Inc., a corporation, and James G. Barnard and Margaret Davis, alleged to be the officers, agents and representatives of the Barnard Company.

“The substance of the plaintiff’s cause of action is alleged to be as follows: defendant Blade was employed by the plaintiff in the capacity of Advertising Manager for what it refers to as its Los Angeles Group of stores; as part of his duties as such Advertising Manager, he was required to negotiate and contract for the engraving of material which was to be used, and was used, by the plaintiff in connection with its advertising in newspapers; that from January 1, 1937, until the month of December, 1951, de-

fendant Blade entered into and executed many contracts with the defendant Metropolitan Engravers, which company, in turn manufactured engravings which were sold to, and used by, the plaintiff in its newspaper advertising; that throughout the entire period the defendant Metropolitan Engravers and its officers and agents 'secretly, fraudulently, unfairly and deceptively conspired and agreed that the defendants "Engravers" and "Mat Service" would pay to, and the defendant Frank R. Blade would receive and accept secret, fraudulent, unfair and deceptive rebates, profits or commissions in the sum of \$400.00 per month in consideration of which said defendant Blade would contract for all engraving to be purchased by the Los Angeles Group of stores owned and operated by plaintiff with said defendant "Engravers" and no other person, firm or corporation, and would permit them to charge and would procure plaintiff to pay them sums of money greatly in excess of the then going price for identical quantities of identical or similar engraving current in the Los Angeles market and at prices substantially in excess of the prices which plaintiff would have been charged by competitors of defendants for like quantities of engraving of like grade and quality. In particular it was agreed between said defendants that plaintiff would be charged and would pay to said defendant "Engravers" sums of money based upon varying basic prices of \$.033 to \$.044 per unit of engraving, although the fair market price in the Los Angeles area and the prices concurrently charged other purchasers in said area who were competitors of plaintiff for like quantities of engraving of like grade and quality was \$.030, or less; and that, for extra work in connection with such engraving not included in such unit price, equivalent additional charges over and above the fair market

price for such extra work would be made by defendant "Engravers" and paid by plaintiff.'

"It is further alleged in the complaint that prior to October 31, 1949, defendant Blade was instructed by plaintiff to contract for part of the engraving for the Los Angeles Group of stores with engraving firms other than the defendant Metropolitan Engravers; that thereupon the defendants and each and all of them, further contracted and agreed among themselves that the engraving business of the plaintiff should be divided between the defendant Metropolitan Engravers and the Barnard Company, and that no other person, firm or corporation should be allowed or permitted to secure any such business; that the base price would be \$.044 per unit 'and not at the fair market price in the Los Angeles area of \$.030, or less.' It is also alleged that the Barnard Company and James G. Barnard and Margaret Davis also agreed to pay Blade a secret profit amounting to 15% of the gross amount of all moneys received from plaintiff for engraving done by the Barnard Company. It is further alleged that said agreements were carried out and executed by the defendants. The complaint has attached to it a list of payments beginning February 6, 1942, to November 29, 1951, and alleges that the total amount paid for engraving during that period was the sum of \$563,504.50; that the fair market value was the sum of \$141,979.95 less than the total figure. It is also alleged that the dates and amounts of purchases of engravings made by plaintiff from defendant Engravers during the period of time from on or about January 1, 1937, until on or about February 5, 1942, and the total amount so charged by defendants and paid by the plaintiff during that period are unknown to the plaintiff. It is alleged that the difference between the fair market value and the amount paid by plaintiff to Barnard Co. was the sum of \$20,021.50.

“The plaintiff then alleges that the total amount received by Blade from the Metropolitan Engravers and Metropolitan Mat Service was a sum in excess of \$50,000 and the amount paid to Blade by the Barnard Co. was \$8,250.

“The circumstances of the discovery of fraud are alleged to be that all of the acts and agreements and conduct of the defendants, above described, were unknown to the plaintiff until on or about the 10th day of December, 1951; that on or about the 6th day of July, 1951, plaintiff received an anonymous letter to the effect that some unidentified person who was engaged in purchasing for the plaintiff was engaged in receiving secret payoffs. The letter did not identify the party charged, but the letter caused the plaintiff to investigate those engaged in purchasing, which resulted in the discovery by them, on or about the 10th day of December, 1951, of the acts and conduct upon which it bases its claim for relief. The complaint seeks actual damages totaling \$162,001.45, and \$250,000 as exemplary or punitive damages.

“Defendant Frank R. Blade has answered with the usual denials * * * and as a separate defense alleges in his sixth additional defense that prior to the filing of the Amended Complaint herein on August 21, 1953, and prior to the filing of the original complaint herein on May 2, 1952, and, to wit: On December 10, 1951, the plaintiff filed a complaint for money had and received in the Superior Court of the State of California in and for the County of Los Angeles, wherein the plaintiff herein was plaintiff therein and the defendants Frank R. Blade and Nella Blade were defendants; that the plaintiff in that case secured a writ of attachment under the provisions of Section 537 of the Code of Civil Procedure of the State of California and caused the same to be levied

by the Sheriff of Los Angeles County; that in response to a demand for a bill of particulars, Sears, Roebuck filed a bill of particulars which contains, in substance, the same charges contained in the complaint herein, and that by the filing of the Superior Court action the plaintiff made an election of remedies, resulting in damage or injury to the defendant Blade and that by virtue of such election of remedies, the plaintiff is estopped from maintaining the instant suit against Frank R. Blade.”

Although not emphasized by the trial court in its statement of facts, it is to be noted that although the complaint alleges that Metropolitan Engravers and Metropolitan Mat Service paid Appellant’s advertising manager Blade a sum in excess of \$50,000, and defendant Barnard Company paid Blade the sum of approximately \$8,250 as bribes [R. 12-13], Appellant by its amended complaint does not seek in this action the recovery of these amounts, but only the over-charges, or excess over the fair market value of the engraving work done by Metropolitan and Barnard in the respective amounts of \$141,979.95 and \$20,021.50, or an aggregate recovery for these over-charges of \$162,001.45 [R. 16]. In addition, exemplary or punitive damages of \$250,000 are prayed against the defendants [R. 16]. In short, in this action no recovery is sought of the commissions, allowances, rebates or bribes paid to and received by Appellant’s employee Frank R. Blade. By like token, in the state court action the pleadings did not allege nor was recovery sought for the fraudulent overcharges for engraving; the action was exclusively one for monies received by Blade for the account of his employer, Sears, Roebuck & Co. [see Complaint, R. 38-39, and Bill of Particulars, R. 45-47].

In point of fact, no appearance was entered in said cause by defendant Barnard Engraving Company or by the individual defendants, alleged to be officers and agents of defendant Barnard Company, namely, James G. Barnard and Margaret Davis, and the action was not prosecuted against these defendants.

III.

Specification of Errors.

1. The trial court erred in holding that Appellant had but a single cause of action for the receipt of secret commissions by its agent and for damages for the fraudulent overcharges made through the connivance of the defendant suppliers and the agent.

2. The trial court erred in holding that there was a violation of but a single primary right when Appellant's agent received secret commissions in violation of his fiduciary obligation and when he and the defendant engravers conspired to and did fraudulently overcharge Appellant for engraving services.

3. The trial court erred in holding that the statute of limitations barred any recovery by Appellant antedating by more than three years the discovery by it of the fraud.

IV.

Summary of Argument.

1. The cause here on appeal presents a simple, albeit unsavory, factual situation: An employer, Appellant herein had in its employ a trusted but allegedly dishonest advertising manager, who is alleged to have received bribes from engraving suppliers of the Appellant; these suppliers in turn were enabled, through the bribery and connivance of the advertising manager, to overcharge Appellant for

engraving furnished to it over a period of many years. Appellant proceeded in the state court to recover the unlawful commissions or bribes paid to its agent Blade, in the form of a common count for money had and received [R. 38-39], and in a separate and distinct action in the federal court is now seeking to recover from the defendant engravers and Blade the damages suffered by the Appellant as the direct result of the alleged conspiracy to defraud Appellant, to-wit, the overcharges it was forced to incur. It is the position of Appellant that these causes of action are mutually consistent and concurrent, and that by proceeding with its action in the state court against its employee for moneys received by him for the use and benefit of Appellant, his employer, it has not precluded itself from proceeding with its separate and distinct cause of action for damages arising out of the fraudulent conspiracy between the engravers and its employee to overcharge Appellant for engraving services.

2. Upon the allegations of the amended complaint, Appellant contends that the Statute of Limitations, Section 338, Subdivision 4 of the California Code of Civil Procedure, did not commence to run until the discovery by Appellant of the facts constituting the fraud perpetrated upon it, to-wit, until on or about December 10, 1951.

ARGUMENT.

I.

Appellant Has Separate, Distinct and Concurrent Causes of Action (a) Against Its Agent for Commissions Received for Its Use and Benefit, and (b) Against Its Agent and the Third Party Suppliers for Their Fraud in Overcharging Appellant.

The whole *ratio decidendi* of the trial court is predicated upon the assumption that Appellant had one primary right or cause of action against the defendants, and that having elected to proceed against its agent in the state court for money had and received and to have had an attachment levied in its favor in that action, it had irrevocably elected its remedy and was precluded from thereafter proceeding to seek recovery of the damages it had allegedly suffered by reason of the fraud and conspiracy of the third party suppliers and the agent to overcharge Appellant on its contracts for engraving. If the trial court was wrong in this premise, the judgments must inevitably be reversed.

Although we are frank to admit that no decisions of the appellate courts of the State of California have been found which are directly in point, the decisions which have considered the rights of an aggrieved employer or principal under circumstances such as the present all point to the inescapable conclusion that he has separate and distinct and concurrent remedies (1) to recover secret commissions or bribes wrongfully paid to and received by his agent, and (2) to recover the damages suffered by him as a result of the corruption of his agent.

The cases and authorities are legion which uphold the right of a principal or employer to recover from his agent commissions or bribes paid to the agent by third parties. We refer to such cases and authorities as:

- Savage v. Mayer*, 33 Cal. 2d 548, 203 P. 2d 9;
Ramey v. Myers, 111 Cal. App. 2d 679, 245 P. 2d 360;
Petrol Corporation v. Chartrand, 93 Cal. App. 2d 635, 209 P. 2d 674;
Thomas v. Snyder, 114 Cal. App. 397, 300 Pac. 117;
Tobin Grocery Co. v. Spry, 204 Cal. 247, 267 P. 2d 694;
Cal. Lab. Code, Sec. 2860;
Annotations in 13 A. L. R. 905, 71 A. L. S. 923 and 102 A. L. R. 115.

These cases and authorities will be commented upon below.

The decisions and authorities are equally numerous to the effect that third parties conspiring with an employee or agent to defraud the principal are liable for all damages proximately caused thereby.

See:

- Anderson v. Thacher*, 76 Cal. App. 2d 50, 72, 172 P. 2d 533;
Lomita Land & Water Co. v. Robinson, 154 Cal. 36, 46, 97 Pac. 10;
Goodrich v. Naples (D. C., S. D. Cal.), 121 Fed. Supp. 345;
Vol. II, Restatement of the Law, Agency, Secs. 312 and 313(1).

These cases and precedents will similarly be adverted to below.

The immediate question for decision, however, is whether the foregoing respective rights are independent of each other or are so mutually inconsistent that the prosecution of one right or remedy constitutes an irrevocable election precluding the prosecution of the other right or remedy. The decisions which have considered the point make it clear that the rights of action are separate, distinct, consistent and concurrent.

Restatement of the Law, Agency, Volume II, Section 407(2):

“(2) A principal who has recovered damages from a third person because of an agent’s violation of his duty of loyalty is entitled nevertheless to obtain from the agent any profit which the agent improperly received as a result of the transaction.”

In the comment to this subsection (2) of the Restatement it is noted, page 935:

“If an agent has violated a duty of loyalty to the principal so that the principal is entitled to profits which the agent has thereby made, *the fact that the principal has brought an action against a third person and has been made whole by such action does not prevent the principal from recovering from the agent the profits which the agent has made.** Thus, if the other contracting party has given a bribe to the agent to make a contract with him on behalf of the principal, the principal can rescind the transaction, recovering from the other party anything received by him, or he can maintain an action for damages

*Italics ours throughout unless otherwise noted.

against him; in either event the principal may recover from the agent the amount of the bribe."

In *Callinan v. Federal Cash Register Co., et al.* (D. C., W. D. Mo.), 3 F. R. D. 177, the plaintiff brought action against his purchasing agents, Federal Cash Register Co. and Kyle W. Leeds, for money had and received, and against the agents and the third party supplier, General Engineering and Manufacturing Co. for fraud. The court noted, page 177:

"There are five counts. The first three are for money had and received. These three counts apparently affect the moving defendants only. The last two counts are for damages arising from alleged fraud and generally charge all the defendants with participation."

The agents moved to dismiss the common counts for failure to state a claim in that they failed to show the origin of the indebtedness or the date when it was incurred. Judge Reeves overruled the motions, holding the common counts to be sufficient, but observed that some question might be raised as to whether the two actions were properly joined. He held in effect, however, that although the causes of action were separate and distinct no prejudice resulted from having them considered together. Page 177:

"On the first three counts of the petition a joint cause of action is stated only against the two moving defendants. The pleader does not pretend to state a cause of action against the answering defendant on these three counts. There is no reason, however, why these should not be treated separately from the last two counts upon the present petition. The defendants will not be handicapped because of this fact. *It means two suits in one complaint.*

“The last two counts are predicated upon fraud and the averments are quite precise in setting out the nature of the fraud and the time it is alleged to have been committed. Such averments are that the two moving defendants were acting for the plaintiff in purchasing machinery from the answering defendant. It is alleged that false and inflated invoices were used; that such invoices were fraudulently made up by the answering defendant with knowledge that they would be used by the moving defendants. Such averments were sufficient to show fraud.

“It follows that the motions of each of said defendants should be overruled.”

Tarnowski v. Resop, 236 Minn. 33, 51 N. W. 2d 801. This was an action by a principal against his agent for the recovery of improper profits realized by the agent and for damages to his business suffered by the principal by reason of the agent's defection. As in the case at bar, the defendant agent urged that the principal, having rescinded the purchase in a prior action against the third party sellers, was thereafter precluded from prosecuting his action against the agent. As the court noted, page 802:

“Principally, defendant argues that recovery in the action against the sellers is a bar to this action for the following reasons: (1) That plaintiff has elected one of alternative remedies and cannot thereafter pursue another; (2) that successful pursuit of one remedy constitutes a bar to another remedy for the same wrong, even though the outcome of the first action did not make plaintiff whole in point of actual loss; (3) that the satisfied verdict in the rescission case is a bar; and (4) that defendant and the sellers were joint tort-feasors, and the discharge of one discharged them all.”

In affirming judgment for the plaintiff and holding that he was entitled to recover unlawful profits as well as damages from the agent, notwithstanding the earlier action for rescission, the court relying upon Restatement, Agency, Section 407(2), *supra*, held, page 804:

“Defendant contends that plaintiff had an election of remedies and, having elected to proceed against the sellers to recover what he had paid, is now barred from proceeding against defendant. It is true that upon discovery of the fraud plaintiff had an election of remedies against the sellers. *It is not true, however, that, having elected to sue for recovery of that with which he had parted, he is barred from proceeding against his agent to recover damages for his tortious conduct.* While some of the allegations in plaintiff’s complaint against the sellers are similar to or identical with those in his complaint in this case, insofar as the fraud is concerned, the right of recovery here against the agent goes much further than the action against the sellers. Many of the elements of damage against the agent are not available to plaintiff against the sellers. For instance, he has no right to recover attorneys’ fees and expenses of the litigation against the sellers. He has that right against the agent. *Plaintiff may recover profits made by the agent, irrespective of his recovery against the sellers.* Losses directly flowing from the agent’s tortious conduct are not recoverable against the sellers in an action for rescission, but they may be recovered against the agent, whose breach of faith has caused such losses.

“Nor is the settlement and dismissal of the action against the sellers a bar to an action against the agent, for the same reasons as stated above. The sellers and agent are not joint tort-feasors in the sense that their wrongful conduct necessarily grows

out of the same wrong. Their individual torts may have been based on the same fraud, but their liabilities to plaintiff do not have the same limitations. *In simple terms, the causes of action are not the same.*”

Kuntz v. Tonnele, 80 N. J. Eq. 373, 84 Atl. 624, is directly in point. The plaintiff Kuntz employed Shenckman as his agent to purchase a piece of property from defendant Tonnele. The latter agreed with Shenckman to sell the property for \$14,000 and agreed, out of that consideration, to pay Shenckman a commission of \$700. Subsequently, Shenckman conceived the idea of defrauding plaintiff Kuntz out of \$1,000 by inducing the seller, Tonnele, to join with him in representing to Kuntz that the price was \$15,000 instead of \$14,000. It was agreed by Tonnele that Shenckman might retain the additional \$1,000 for himself. With respect to the \$700 commission or bribe the court said, page 626:

“With respect to the \$700, it seems to me entirely clear that Shenckman was responsible to Kuntz for this, and that, unless Kuntz had permitted Shenckman as his agent to become the agent of the other party, or to obtain a commission from the other party, Kuntz unquestionably would have the right to recover this \$700 from Shenckman.

* * * * *

“The theory upon which such recovery is based entirely excludes any idea that a recovery in such case is possible against any one other than the agent receiving the secret profit. The theory is that whatever an agent makes in his principal’s business belongs to the principal.”

After holding that the recovery of this illegal commission represented an entirely separate and distinct cause of action upon a different theory, the court went on to

hold that the seller having conspired with the agent to defraud the purchaser out of the additional \$1,000, the plaintiff was entitled to recovery of that amount from the third party seller. Page 626:

“Entirely a different situation is presented with respect to the \$1,000 added to the consideration price. Here there was clear fraud on the part of Tonnele and Shenckman against Kuntz. Tonnele, to obtain a thousand dollars out of Kuntz for Shenckman’s benefit, misrepresented the consideration price to Kuntz, having agreed with Shenckman that he would give him this thousand dollars thus extracted from Shenckman’s principal. A cleaner cut case of fraud could not well be conceived. Unquestionably, there arose out of this situation a right of action by Kuntz against Shenckman and also against Tonnele. The liability is not joint. The action is not joint. *The parties do not have to be sued together. The bases of recovery are different. In the action against Shenckman the basis of recovery, as above set forth, is the right of the principal to have whatever the agent got out of the transaction. The basis of the action against Tonnele is the fraud on Tonnele’s part in misrepresenting the price and thereby occasioning damage and loss to Kuntz.*”

The court quoted at length from the leading English case on the point, *Mayor of Salford v. Lever*, 1 Q. B. 168 (1891), saying, page 626:

“A case exactly in point, dealing fully, comprehensively and clearly with all of the questions, is *Mayor and Aldermen of Salford v. Lever*, 60 L. J., Q. B. 39 (1891), 1 Q. B. 168. I shall make extensive quotations therefrom because there will thus be shown the similarity of facts and the statement and determination of the questions involved more

satisfactorily than could be done by paraphrase. The plaintiff was a municipal corporation which was in the market to purchase large quantities of coal. Hunter was its agent to purchase same. The defendant was a coal merchant to whom Hunter gave orders to supply coal to plaintiff.

“Lord Esher, M.R., said: ‘The corporation of Salford have brought this action against the defendant, who is a coal merchant, and it is an action founded on fraud. * * * (Page 175.) The defendant was at liberty to sell the coals at any price he would get for them, not necessarily at the market price, but the best price which he could obtain. He was bound, however, to act honestly. He offered this man Hunter to sell him coal at a price which would give him such a profit as he desired. But then Hunter tempted him by saying: “You want to sell your coals at a price which will give you a profit. I have the power of buying coals from you or from anybody else, and I will not buy them from you at the price at which you are selling them, unless you will help me to cheat the corporation out of another shilling a ton. You are to have your price; but you are to add to it in the bills which you send to the corporation another shilling per ton, making the real price apparently a shilling per ton more; but that shilling is to be mine. You are to give it to me.” They called this a commission, * * * and commissions sometimes cover a multitude of sins. In the present case it was meant to cover a fraud. The fraud was this: That the defendant allowed and assisted the agent of the corporation to put down a false figure as the price of the coals in order to cheat the corporation out of a shilling a ton, which was to be paid to their own agent; and the way in which it was to be done was this: The defendant sent in a bill to the corporation for the whole price thus increased. He got

the advanced price into his hands, and, as he got it by fraud, he is bound to pay it back, unless something has happened to oust the right of the corporation.

* * * * *

“ ‘If an agent takes a bribe from a third person, whether he calls it a commission or by any other name, for the performance of a duty which he is bound to perform for his principal, he must give up to his principal whatever he has by reason of the fraud received beyond his due. *It is a separate and distinct fraud of the agent.* He might have received the money without any fraud on the person who was dealing with him. Suppose that the person thought that the agent was entitled to a commission, he would not be fraudulent; but the agent would be, and it is because of his separate and distinct fraud that the law says he must give up the money to his principal, * * * and therefore he is entitled to recover from the agent the sum which he has received. *But does this prevent the principal from suing the third person also, if he has been fraudulent, because of his fraud?* It has been settled that he cannot set up the defense that the action cannot be maintained against him because the thing was done through the agent and the principal was entitled to sue the agent. *What difference can it make that the principal sues the third party secondly instead of first? The agent has been guilty of two distinct and independent frauds—the one in his character of agent, and the other by reason of his conspiracy with the third person with whom he has been dealing.* Whether the action by the principal against the third person was the first or the second must be wholly immaterial. The third person was bound to pay back the extra price which he had received, and he could not absolve himself or diminish the damages

by reason of the principal having recovered from the agent the bribe which he had received.

“ ‘Lindley, L. J. (Page 179.) * * * It is obvious that in some form of action the corporation has a right to recover this shilling a ton from the coal merchants. Under the old practice I think they could have recovered it by an action for money had and received; and probably they could have recovered it in more ways than one. (Page 180.) It would be paradoxical if the rights of the corporation were to depend upon the accident which of the two wrongdoers they sued first. * * * *The corporation has a separate cause of action against each of them, and not one cause of action against both or either of them.*

“ ‘Lopes, L. J. (Page 181.) The rights of action by the corporation against him (the defendant) and Hunter are separate, distinct, and independent of each other. *The right against Hunter is to recover the secret bribe which he has received, and it is founded on his fraud in regard to that bribe.* The right against Lever is to recover the excess of price which he obtained through his fraud—a fraud, no doubt, in conjunction with Hunter, but an entirely separate and distinct fraud from that in respect of which the action against Hunter would be brought.

“ ‘It is said that these two actions cannot coexist. I think that contention cannot be supported. * * *’ ”

The Court of Appeals for the Third Circuit in *Barnsdall, et al. v. O'Day, et al.*, 134 Fed. 828, has held that the bringing of an action by a principal against his agent in the purchase of land for the amount of a commission secretly paid the agent by the seller, does not operate to ratify the contract of sale so as to discharge the seller from liability in damages for fraud by which,

with the assistance of the agent, the sale was induced. In affirming judgment for plaintiff the court said, page 829:

“The agent of the plaintiffs below, in making this purchase for them, asked and received from the defendants the sum of \$8,700 for himself. This payment was secretly made, and it is admitted, as it must be, that by reason thereof the sellers were precluded from maintaining that whatever knowledge the agent had respecting the real production of the property was imputable to his principals. But it is averred that the learned court erred in declining to rule that because, when the plaintiffs below, long afterward, learned of this misconduct of their agent, they made it the ground of an action against him, they ‘legalized the payment and receipt of such commission, and he thereby became their full agent for all purposes of the purchase, and all knowledge of the production or condition of the property acquired by him at or before the time of the sale would be knowledge to his principals, the plaintiffs herein.’ This proposition was properly negatived. *It could not have been affirmed without holding that a principal, who seeks redress against his agent for having wrongfully accepted money from those with whom he was authorized to deal, thereby discharges the latter from all liability for a fraud by which they, with his assistance, had misled the principal to his hurt. We know of no rule or principle of law which would justify us in so deciding.* * * * No authority has been cited which lends support to the contention that by bringing their action against the agent the defendants in error ratified the contract which was induced by the fraud in which he had participated. *The subject-matter of this action is not*

the same as that of the action against the agent; the two frauds were different."

The Court of Appeals for the Eighth Circuit, in *Glaspie v. Keator, et al.*, 56 Fed. 203, similarly held that a principal's recovery from his agent St. John of secret commissions did not preclude an action against a fraudulent third party seller, Glaspie, for damages. The court there stated, page 210:

"It is further contended that the circuit court erred in instructing the jury that the case in hand was not barred by a previous recovery in an action by Keator & Son against St. John. The merits of this contention can be best tested by a brief statement of the facts upon which the defense was based. Keator & Son first brought an action against St. John to recover damages for the same fraud and deceit that is complained of in the case at bar, and in such suit recovered a judgment for \$5,000, which judgment has not been satisfied. In the course of the trial of the latter suit for fraud and deceit, Keator & Son discovered that St. John had received \$18,000 from Glaspie of the sum which they had paid for the pine lands. They thereupon brought an action against St. John for the latter sum, and recovered the amount sued for, with interest, which judgment has been paid. The last-mentioned action was brought and maintained solely upon the ground that St. John was their agent in negotiating the purchase of the pine lands, and that the profit which he had secretly made in that transaction, through connivance with Glaspie, belonged to his principals. In stating their damages in the present action the plaintiffs below have given credit for the amount of the second judgment which was recovered against St. John, and was

by him paid. It is now insisted that the payment of the second judgment against St. John, for \$18,000 and interest, operated to satisfy the first judgment against him, for \$5,000, in the action for fraud and deceit, and *that the satisfaction of the latter judgment bars a recovery against Glaspie in the present action.*"

Noting that the second suit against the agent St. John was for recovery of an improper commission paid him, the court concluded:

"We are of the opinion that the circuit court properly directed the jury to disregard the plea of a former recovery, for the reason that the cause of action sued upon in the second suit against St. John was totally unlike the cause of action in the first suit, and totally unlike the cause of action in the suit at bar. There might have been a recovery against St. John in the second action even though no misrepresentations had been made by him as to the quantity of timber that the pine lands would yield, and the evidence which was sufficient to warrant a recovery in the second suit was utterly insufficient to justify a verdict in the first action. Furthermore, the damages recoverable in the respective suits were essentially different. These considerations warrant the conclusion that the payment of the second judgment against St. John did not operate to satisfy the first judgment for fraud and deceit, as was practically held by Mr. Justice Miller in *Keator v. St. John*, 42 Fed. Rep. 585."

The Court of Appeals for the Sixth Circuit, in *City of Findlay v. Pertz, et al.*, 66 Fed. 427, held that a city, upon discovering that purchases made on its behalf by its purchasing agent were the product of a corrupt ar-

rangement by which the agent was bribed, might both hold the agent liable for the wrongful commissions received and also sue the seller for damages for fraud. The court said, page 437:

“The learned trial judge was of opinion, and so instructed the jury, that, upon discovery of the improper dealing with its agent, the city might repudiate or affirm the contract as it should elect. We entirely agree with him in this. The contract it made was neither *malum in se* nor *malum prohibitum*. No question of public policy is involved by a ratification of the bargain. That involves no affirmance or adoption of the corrupt agreement for illicit commissions. *Upon the contrary, it would have the right to hold the agent liable as for money had and received to its use. It might go still further, and sue the seller for the fraud, and recover all damages consequent upon an improper dealing with the buyer's agent.*”

The foregoing cases (and we have found none to the contrary) clearly establish that in a case such as that at bar the employer or principal has separate, distinct and concurrent remedies (i) to recover from its agent, in money had and received, secret commissions paid him by a third party, and (ii) to recover from the agent and the third party the amount of any damages suffered by the principal consequent upon the conspiracy and fraud of the agent and the third party *and that it matters not which action is commenced first.*

II.

The State Court Action Against the Agent Blade for Money Had and Received Rests Upon an Entirely Different Theory Than the Claimed Recovery of Damages for Fraud in the Present Action.

California Labor Code, Section 2860, codifies what has long been the common law, the Code Section being based upon former Civil Code Section 1985, which was adopted in 1872. The Section provides:

“Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment.”

And see:

Savage v. Mayer, 33 Cal. 2d 548 at 551, 203 P. 2d 9.

It is clear that the state court action was not one to recover damages suffered by Sears, Roebuck & Co., but was an action to recover moneys received by Blade as agent and employee for the account of Appellant. While the action was brought in general *assumpsit* for money had and received it was not, as the District Court erroneously assumed in its opinion, necessarily predicated upon fraud or wrongdoing (necessitating a waiver of the tort and suit in *assumpsit*), but was for moneys rightfully belonging to the employer. See the Bill of Particulars in the state court action [R. 45-47], incorporated by reference in the affidavit in support of Blade's motion for summary judgment [R. 64].

That fraud or deceit on the part of the agent is not a necessary predicate in an action for recovery by his principal of secret profits arising out of the agency, is clear from the Labor Code Section above quoted—"whether acquired lawfully or unlawfully"—and from the cases.

In *Savage v. Mayer*, 33 Cal. 2d 548, 203 P. 2d 9, the plaintiff Savage sued his agent for \$26,400 representing a secret profit made by the agent on a purchase of shares for his principal. The court there stated, page 551:

"An agent, however, is not permitted to make any secret profit out of the subject of his agency. (*Langford v. Thomas*, 200 Cal. 192, 198-199 (252 P. 602); *Shaw v. Shaw*, 160 Cal. 733, 737, 739 (117 P. 1048); *Calmon v. Sarraille*, 142 Cal. 638, 641-642 (76 P. 486); *King v. Wise*, 43 Cal. 628, 634; *Thompson v. Stoakes*, 46 Cal. App. 2d 285, 289-290 (115 P. 2d 830); see Civ. Code, §§2322, subd. 3, 2238; Rest., Agency, §§387, 388; 1 Mechem, Agency (1914), §§1224-1226.) All benefits and advantages acquired by the agent as an outgrowth of the agency, exclusive of the agent's agreed compensation, are deemed to have been acquired for the benefit of the principal, and the principal is entitled to recover such benefits in an appropriate action. (Mechem, Agency (1914), §1225; Rest., Agency, §403.) In the absence of special circumstances, moneys received by one in the capacity of agent are not his, and the law implies a promise to pay them to the principal on demand. (*De Leonis v. Etchepare*, 120 Cal. 407, 409-410 (52 P. 718); see also *Oil Well Core Drilling Co. v. Barnhart*, 20 Cal. App. 2d 677 (67 P. 2d 696); 1 Mechem, Agency (1914), §1342.) It follows that the principal's right to recover does not depend upon any deceit of the agent, but is based upon the duties in-

cident to the agency relationship and upon the fact that all profits resulting from that relationship belong to the principal."

To the same effect are:

Petrol Corporation v. Chartrand, 93 Cal. App. 2d 635, 641, 209 P. 2d 674;

Ramey v. Myers, 111 Cal. App. 2d 679, 685, 245 P. 2d 360.

The state court action against the agent Blade did not, as the trial court below assumed, arise out of a waiver of tort, but arose rather out of a contractual, and in fact statutory, obligation of the agent to account to his principal for commissions received from the defendant suppliers.

In *De Leonis v. Etchepare*, 120 Cal. 407, 52 Pac. 718, the court affirmed an order of the trial court refusing to dissolve an attachment in an action brought against an agent for monies rightfully belonging to the plaintiff principal. The court held that the action arose not out of tort but out of contract. Page 409:

"Appellant's second contention is that the action is not founded upon a contract, either express or implied, for the direct payment of money.

"That the relation between the parties created by the power of attorney is a contract relation is beyond question. *Nor is the character of that relation, so far as defendant's duties and liabilities are concerned, affected by the alleged fact that it was created by or through the fraud of defendant.* Moneys received by the agent are not his, and from the duty of the agent to pay over moneys received by him in that capacity the law implies a promise that he will do so upon demand, and a demand is duly alleged."

As is stated more generally in 2 American Jurisprudence, Agency, Section 425, page 333:

“The principal may maintain an action to recover money belonging to him in the hands of his agent which the latter refuses to pay. In the code states, this is by means of the ordinary civil action. At common law, *assumpsit* is the proper form of action. It is immaterial how the money which in equity and good conscience belongs to the master or principal came into the hands of the servant or agent.”

The state court action against Blade was in the form of a common count for money had and received for the account of Sears, Roebuck & Co. [R. 38-39]. In the bill of particulars filed by Appellant in the state court action (in which nothing is said about any conspiracy to defraud or overcharge for engraving services [R. 45-47]), Appellant, after referring to the secret commissions or bribes paid to and received by its employee Blade, noted:

“The above amounts were received by said Frank R. Blade for the account of plaintiff but were not reported to plaintiff or accounted for by said Blade, and plaintiff did not ascertain that said sums had been paid to and received by said Blade until the month of December, 1951” [R. 46].

The complaint in the state court action, as well as the bill of particulars, were incorporated by reference in the affidavit in support of Blade’s motion for summary judgment in the trial court [R. 61-64]. That the bill of particulars is properly to be looked to to determine the nature of the state court action is clear from the cases.

Treadwell v. Nickel, 194 Cal. 243, 263, 228 Pac. 25:

“The bill of particulars furnished to the defendants was, of course, to be regarded as an amplification of the complaint, and for the purpose of determining plaintiff’s right to recovery, or the admissibility of evidence that might be offered in support of his claim was to be considered as if it had been incorporated in the complaint as originally filed. (*Millet v. Bradbury*, 109 Cal. 170, 172 (41 Pac. 865).)”

There is no dispute in the record that the state court action was for monies received by Blade as an employee for the account of Sears, Roebuck & Co. Thus, the state court action had its foundation in the contractual employer-employee relationship of Sears, Roebuck and Blade. The present action is founded strictly upon tort, for the recovery of fraudulent overcharges inflicted upon Appellant through the connivance of Blade and the engraving suppliers. The separate and distinct character of the two actions is further pointed up by the fact that Appellant has a right to the recovery of exemplary damages in the case at bar (Calif. Civ. Code, Sec. 3294) which it did not have in the state court action for monies received by its employee for its account; *Cf. Tarnowski v. Resop, supra*.

If the State Court Action Constituted an Affirmance of the Engraving Purchases, the Right to Recover Damages None the Less Remained.

Not only did the trial court assume an erroneous premise in concluding that the state court action against Blade was predicated upon a waiver of tort, to-wit, the fraudulent conspiracy entered into between Blade and the other de-

defendants to defraud Appellant, but it also erred in concluding that the maintenance of the state court action constituted an affirmance of the dealings between Blade and his co-defendants, precluding recovery of damages from the defendants. Although the cases cited under Point I demonstrate that an action against an agent by his principal for secret profits does not constitute an affirmance of the agent's corrupt dealings with third parties, the law is nonetheless clear that even should it be assumed *arguendo* that the state court action constituted an affirmance of the engraving purchase contracts that would not prevent the recovery of consequential damages for the fraud of the sellers. Upon discovery of the fraud, the one defrauded may either disaffirm and rescind or affirm the contract and seek damages for his injuries.¹

Bagdasarian v. Gragnon, 31 Cal. 2d 744, 750; 192 P. 2d 935:

“When a party learns that he has been defrauded, he may, instead of rescinding, elect to stand on the contract and sue for damages, and in such case his continued performance of the agreement does not constitute a waiver of his action for damages. (*Paolini v. Sulprizio*, 201 Cal. 683, 685-687 (258 P. 380); *Thompson v. Modern School of B. & C.*, 183 Cal. 112, 117-118 (190 P. 451); see *Prosser on Torts* (1941), 775; 12 Cal. Jur. 782.)”

¹The portion of the trial court's opinion, to which we here advert for its *non sequitur*, is as follows: “That being so, the election of the plaintiff to sue in the state court *ex contractu* and the securing of the attachment against Blade affirmed the acts of Blade in dealing with the other defendants and the plaintiff is now estopped to bring the within suit against any of them.” [R. 82.]

Kaluzok v. Brisson, 27 Cal. 2d 760, 763; 167 P. 2d 481:

“Two remedies are available to a vendee who has been induced to enter into a contract of purchase by the fraudulent representations of his vendor. First, the defrauded vendee may elect to affirm the contract, retain the property received under it, and sue the vendor for damages in an action for deceit. Secondly, the defrauded vendee may elect to rescind the contract for fraud, restore possession to the vendor, and recover the purchase money paid less the fair value of the use of the property during his occupancy.”

Paolini v. Sulprizio, 201 Cal. 683, 685, 258 Pac. 380;

12 Cal. Jur. “Fraud and Deceit,” Sec. 49, p. 781;

Restatement of Agency, Sec. 97.

This well settled right of election, to rescind or to affirm and recover damages, is of course equally available to a principal victimized by the fraud of his agent and a third party.

In re Dant & Dant of Kentucky (D. C. Ky.), 39 Fed. Supp. 753, 755, affirmed 125 F. 2d 108:

“It is a well-settled principle of the law of principal and agent that a contract made by an agent in the name of his principal, in which inures to the agent a secret profit, not known to or acquiesced in by the principal, is a voidable contract on the part of the principal upon discovery of the facts. *Wardell v. Union Pacific R. Co.*, 103 U. S. 651, 26 L. Ed. 509; *Thomas, Trustee v. Brownville, etc., R. Co.*, 109 U. S. 522, 3 S. Ct. 315, 27 L. Ed. 1018; *Bank of Louisville v. Gray*, 84 Ky. 565, 2 S. W. 168; *Johnson v. Mitchell*,

192 Ky. 444, 233 S. W. 884; Louisville Point Lumber Co. v. Thompson, 202 Ky. 263, 259 S. W. 345. Upon the discovery of the fraud the injured party has the option of two remedies, namely—(a) he can disaffirm the contract by tendering back the property received and asking for a rescission of the contract obligation; or (b) *he can affirm the contract and seek damages for his injuries either by an action for deceit or by way of defense or counterclaim in a suit brought against him for failure to completely perform the contract.* Ades v. Wash, 199 Ky. 687, 251 S. W. 970; Kentucky Electric Development Co.'s Receiver v. Head, 252 Ky. 656, 68 S. W. 2d 1."

It seems abundantly clear that even if (contrary to the authorities heretofore cited) the state court action against Blade for money had and received might have constituted an implied affirmance of the engraving contracts, such affirmance would not in any sense prevent the recovery of damages by Appellant for the fraudulent overcharges alleged in the amended complaint herein.

III.

The Doctrine of Election of Remedies Has Application Only in the Case of Inconsistent Remedies.

As noted above, the question upon which this appeal hinges is whether upon the facts as alleged in Appellant's amended complaint Sears, Roebuck & Co. has but a single cause of action jointly against its purchasing agent Blade and the engraving suppliers, or whether it has concurrent causes of action against Blade, for the recovery of secret commissions paid to and received by him, and against Blade and the engraving suppliers for the fraudulent overcharges made pursuant to the conspiracy between them. From the cases cited above we believe it to be clear that

Appellant has the two separate and distinct rights of recovery and that they are not in any wise inconsistent one with the other.

In 17 Cal. Jur. 2d, "Election of Remedies," Section 7, page 229, it is stated:

"Where remedies are inconsistent, an election to pursue one bars pursuit of the other. But the doctrine of election of remedies bars only inconsistent remedies. Where remedies are concurrent and consistent, whether against the same person or different persons, a party may pursue one or all of them until satisfaction is had."

See:

Perkins v. Benguet Cons. Min. Co., 55 Cal. App. 2d 720, 755, 132 P. 2d 70;

Friederichsen v. Renard, 247 U. S. 207, 213, 62 L. Ed. 1075, 1084.

As was said in *Bauman v. Harrison*, 46 Cal. App. 2d 84, 88, 115 P. 2d 530:

"As the doctrine of election of remedies is based upon the doctrine of estoppel, in order to sustain a theory of irrevocable election it must be shown that the two remedies are inconsistent and repugnant and that by the exercise of both the defendant would suffer unconscionable, unfair and unjust detriment."

The two remedies of *Sears, Roebuck & Co.* (i) to recover from its employee secret commissions received by him in the course of his employment, and (ii) to recover from the defendants in the present action the damages sustained by Appellant by reason of the fraudulent overcharges, are, as established by the authorities, neither inconsistent nor repugnant. The one is to recover monies

rightfully belonging to the employer (Calif. Labor Code, Sec. 2860, and *Savage v. Mayer, supra*), the other is to recover damages for the alleged fraudulent overcharges.

The trial court's reliance upon *Steiner v. Rowley*, 35 Cal. 2d 713, 221 P. 2d 9 [see R. 73] is misplaced since it clearly appears from that action that the plaintiff was seeking to recover from his agent, both in the first three counts in money had and received upon which an attachment issued, and in the fourth count sounding in tort for fraud, the same monetary damages—to-wit, commissions received from a third party and alleged secret profits. The court very properly held that the same monies could not be recovered from the same person on a theory of implied contract on the one hand and in a delictual count on the other. Accordingly, the court affirmed the sustaining of defendant's demurrer to the fourth count. Both *Steiner v. Rowley, supra*, and *Estrada v. Alvarez*, 38 Cal. 2d 386, 240 P. 2d 278, relied upon by the trial court, involved an election of remedies between different forms of action to recover the *same money* from the *same party*. In the present case, the Appellant, as we have emphasized is not seeking recovery of the secret commissions paid to and received by Blade, but is seeking recovery of damages incurred by it by reason of the alleged fraudulent overcharges. Again we emphasize, these are not alternative remedies but are separate and concurrent remedies.

The trial court in its opinion concluded:

"The money received by Blade and sought to be recovered in the state court is part of the damages sought to be recovered in the instant action" [R. 74].

That this is not so is demonstrated by the fact that while the amended complaint alleges the receipt by Blade of secret rebates and commissions from the defendant engravers in the amount of \$400 per month, recovery is sought only of the alleged fraudulent overcharges made. Whether those overcharges included or did not include the \$400 per month which the defendant engravers paid to Blade, is a question of fact for resolution at the trial of the action. It may be—although the cases cited above in Point I hold to the contrary—that if the defendants can sustain the burden proving that the alleged overcharges for which recovery is sought in this action included the amount of wrongful commissions or rebates paid by them to Blade, and if recovery is finally effected by Appellant against Blade in the state court action, recoverable damages in the present case may be credited *pro tanto* with the state court recovery, but that fact does not militate against the right of Appellant to pursue its separate and distinct right of recovery for the damages suffered by it by reason of the overcharges alleged.

The same observation we have made with respect to the *Steiner* case applies equally to *Robb v. Vos*, 155 U. S. 13, 39 L. Ed. 52, and *Insurance Co. of North America v. Fourth Natl. Bank* (C. C. A. 5th), 28 F. 2d 933, upon each of which the trial court relied. In each of these cases there was but a single loss for which the plaintiff sought recovery.

Robb v. Vos, supra, as appears from a reading of the case, turned upon the ratification and adoption by the plaintiff of the acts of its agent, and the consequent prejudice thereby visited upon innocent third parties. (See p. 39 of 155 U. S.; 39 L. Ed. 52, 61.) It is ridiculous to suggest in the instant case that Sears, Roebuck & Co. as principal, in seeking to recover from its unfaithful employee secret commissions and bribes paid to him in the course of his employment, thereby condoned, forgave or ratified the fraudulent overcharges for engraving which Appellant had suffered over the years.

In *Insurance Co. of North America v. Fourth Natl. Bank, supra*, the plaintiff Insurance Company, after learning of the fraud of its agent, who fabricated and then approved claims of loss on its outstanding policies and by forging the names of the payees thereafter collected the drafts drawn by plaintiff on itself, sued the agent and his wife to recover the funds representing the proceeds of the drafts and received some funds and property in settlement of the action from the agent. The court held the plaintiff Insurance Company could not thereafter proceed against the drawee bank to recover *the same funds* paid out upon the forged endorsements.

IV.

**Even Though the Actions Might Have Been Joined,
a Party May Nevertheless Bring Separate Suits
on Separate Causes of Action.**

In addition to its holding that Appellant had made an irrevocable election by initiating the state court action against Blade and securing an attachment, the trial court further rested its decision upon the impropriety of Appellant attempting to split a single cause of action. Again, the correctness of the trial court's decision stands squarely upon the basic premise, assumed by it throughout, that plaintiff had but a single cause of action for the invasion of a single primary right. If, as we believe the cases unequivocally demonstrate, Appellant had separate and distinct causes of action (i) for the recovery of secret commissions paid to and received by its employee in the course of his employment, and (ii) for damages incurred by reason of the alleged overcharges as a result of the fraudulent conspiracy of Blade and the defendant engravers, the causes of action, while they conceivably might have been joined,² there can be no improper splitting of a cause of action unless the matter involved in the two actions is the same, so that a final adjudication in

²Although Judge Reeves in *Callinan v. Federal Cash Register Co.*, *supra*, suggests the possibility of misjoinder in such a case. See *Palpar, Inc. v. Thayer*, 83 Cal. App. 2d 809, 810, 189 P. 2d 752 "A party may bring separate suits on separate causes of action even if joinder is allowed. (1 Cal. Jur. 346; *Lynch v. Kemp*, 4 Cal. 2d 440, 49 Pac. 2d 817)".

the one would necessarily constitute a determination of the other.

1 Cal. Jur. 2d "Actions", Section 76, page 703.

We have already shown that recovery from an agent of secret profits or commissions does not necessitate any proof of fraud or deceit.

"It follows that the principal's right to recover does not depend upon any deceit of the agent, but is based upon the duties incident to the agency relationship and upon the fact that all profits resulting from that relationship belong to the principal."

Savage v. Mayer, supra.

Recovery in the present action, on the other hand, necessitates proof of the allegations contained in Appellant's amended complaint, namely, the fraudulent conspiracy of Blade and the engraver defendants to overcharge Appellant for engraving furnished. As was pointed out by this court in its comprehensive analysis of identity of causes of action, and of "splitting causes of action", in *United States v. Pan American Petroleum Co.*, 55 F. 2d 753, at 776, *et seq.* (cert. denied 287 U. S. 612):

"The proper test as to the identity of causes of action is to inquire whether the same evidence that is necessary to maintain the second action would have been sufficient to support the first." (P. 781 of 55 F. 2d.)

Another statement explaining the rule against splitting a single cause of action is to be found in *Woodbury v. Potter* (C. C. A. 8th), 158 F. 2d 194, 195, as follows:

“The rule, however, does not prevent the bringing of separate actions on separate causes of action even though they might all have been joined in a single suit. *United States v. Haytian Republic*, 154 U. S. 118, 14 S. Ct. 992, 38 L. Ed. 930. It is therefore necessary to consider the nature of plaintiff’s claim for the purpose of determining whether they constitute a single cause of action or two separate and distinct causes of action. One of the tests for determining whether the cause of action asserted in a suit is the same as that prosecuted in a prior suit is whether or not proof of the same facts will support both actions. *Harrison v. Remington Paper Co.*, *supra*; *United States v. Haytian Republic*, *supra*; *United States v. Pan-American Petroleum Co.*, 9 Cir., 55 F. 2d 753. If the same evidence will support both actions there is deemed to be but one cause of action. Of course, the mere fact that the same evidence may be admissible under the pleadings in each action is not necessarily controlling, but even though the evidence may be admissible and is in part the same, but the subject matter is essentially different, the actions are not identical. *In the final analysis the test would seem to be whether the wrong for which redress is sought is the same in both actions.* *McKnight v. Minneapolis Street Railway Co.*, 127 Minn. 207, 149 N. W. 131, L. R. A. 1916D, 1164. The mere fact that different demands may spring out of the same act or contract does not itself render a judgment on one a bar to a suit upon another.”

Applying this identity of evidence test to the case at bar, it is manifest that proof of the receipt by Blade of secret commissions and bribes in the state court action, which would be sufficient there to permit recovery by Appellant, would be wholly insufficient to support a recovery of the fraudulent overcharges allegedly made by the defendant engravers. By like token, it would not be necessary in this action to prove the payment to Blade of secret commissions and bribes, to recover for the fraudulent overcharges, but only to show that the defendant engravers and Blade, as Appellant's advertising manager, conspired to make and did make the improper charges.

If Appellant establishes its allegations of a conspiracy between Blade and the defendant engravers to defraud it, recovery of the damages suffered may be had against each of the participants in such conspiracy regardless of whether such participant profited from the fraud or not.

Anderson v. Thacher, 76 Cal. App. 2d 50, 72, 172 P. 2d 533;

Anglo-California National Bank v. Lazard (C. C. A. 9), 106 F. 2d 693, 703, cert. den. 308 U. S. 624, 84 L. Ed. 521;

B. F. Goodrich Co. v. Naples (D. C., S. D. Cal.), 121 Fed. Supp. 345, 348.

Thus, in the one suit proof of fraud is unnecessary and in the other proof of the receipt of secret profits or commissions is unnecessary.

V.

The Statute of Limitations Did Not Commence to Run Until December 10, 1951, at the Earliest.

If, as we believe they must be, the judgments in this case are reversed and the cause remanded for trial upon Appellant's amended complaint, the trial court's finding that the complaint does not state a claim for relief against the defendant engravers for any damages accruing prior to May 2, 1949 (three years antedating the filing of the original complaint herein) should be corrected. The trial court, upon the basis of judicial knowledge that the Appellant "is a large concern", was of the view, expressed in its opinion, that the complaint did not sufficiently allege the reasons why Appellant by the exercise of reasonable diligence could not sooner have ascertained and learned "of the peculations of the defendant Blade and the alleged fraud of the other defendants" [R. 82-86]. We believe that the court overlooked the following material allegations of the amended complaint, which allegations for purposes of the present judgments upon the pleadings must be taken to be true:

"That at all times herein mentioned prior to on or about December 10, 1951, plaintiff believed that its said employee, the defendant, Frank R. Blade, was an experienced and competent Advertising Manager and was loyal and devoted to the business and interests of plaintiff; that at all said times, plaintiff reposed complete confidence in said Frank R. Blade, both with respect to his capability as Advertising Manager and with respect to his loyalty and devotion to its business and interests, and depended and relied upon him with respect to the proper performance of his duties as its Advertising Manager, including the negotiation of contracts for engravings for plain-

tiff; that the formulas and techniques for computing rates for engraving work of the nature herein involved were matters with which plaintiff had no familiarity or knowledge and concerning which plaintiff was compelled to and did rely upon the knowledge, experience, expertness, loyalty and good faith of its said Advertising Manager, the defendant, Frank R. Blade." [R. 15.]

The court further apparently overlooked the accepted doctrine that lack of diligence of discovery is inapplicable to fraud which has its inception in a fiduciary relationship.

Anglo-California National Bank v. Lazard (C. C. A. 9th), 106 F. 2d 693, 704; cert. den. 308 U. S. 624;

B. F. Goodrich Co. v. Naples (D. C., S. D. Cal.), 121 Fed. Supp. 345, 348;

Rutherford v. Rideout Bank, 11 Cal. 2d 479, 486; 80 P. 2d 978;

Hobart v. Hobart Estate Co., 26 Cal. 2d 412, 440; 159 P. 2d 958;

Bainbridge v. Stoner, 16 Cal. 2d 423, 430; 106 P. 2d 423;

Knapp v. Knapp, 15 Cal. 2d 237, 242; 100 P. 2d 759;

Lee v. Hensley, 103 Cal. App. 2d 697, 704; 230 P. 2d 159;

Anderson v. Thacher, 76 Cal. App. 2d 50, 69; 172 P. 2d 533;

Victor Oil Co. v. Drum, 184 Cal. 226, 241; 193 Pac. 243;

Barron Estate Co. v. Woodruff Co., 163 Cal. 561, 576; 126 Pac. 351.

Conclusion.

We believe the trial court erred in its conclusion that Sears, Roebuck & Co. was limited to the single recovery against its corrupted employee in the state court action, a conclusion dictated by the court's assumption that Appellant had but a single cause of action for the invasion of a single primary right. The cases demonstrate that under circumstances such as those alleged in the case at bar an employer has the unquestioned right to recover from its employee commissions or bribes wrongfully paid the employee during and in the course of his employment and has in addition the right to recover from each of those participating in a conspiracy to defraud it the damages it has sustained.

We cannot do better than adopt the quotation from Pomeroy's Code Remedies (Fifth Edition) Section 350, quoted by this court in *United States v. Pan American Petroleum Co.*, 55 F. 2d 753, at 777:

“If two separate and distinct primary rights could be invaded by one and the same wrong, or if the single primary right should be invaded by two distinct and separate legal wrongs, in either case two causes of action would result; a *fortiori* must this be so when the two primary rights are each broken by a separate and distinct wrong.’”

The judgment of dismissal in favor of Metropolitan Engravers, Ltd., Metropolitan Mat Service, and its individual officers and agents, Gregory Duffy, Aubrey Duffy,

Walter Duffy and Alfred Smutz, and the summary judgment in favor of Frank R. Blade, should each be reversed and the cause remanded to the District Court for trial.

Respectfully submitted,

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No. 14,616

IN THE
United States Court of Appeals
For the Ninth Circuit

ALASKA INDUSTRIAL BOARD, and
CARL E. JENKINS,

Appellants,

vs.

CHUGACH ELECTRIC ASSOCIATION, INC.,
a corporation, and GENERAL ACCI-
DENT FIRE AND LIFE ASSURANCE COR-
PORATION, LTD., a corporation,

Appellees.

Upon Appeal from the District Court for the
District of Alaska, First Division.

APPELLEES' PETITION FOR A REHEARING.

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FILED

MAY 28 1957

PAUL P. O'BRIEN, CLERK

Subject Index

	Page
This Court's Opinion of April 29, 1957, misconstrued the language of §43-3-4, ACLA 1949	1
Continuing jurisdiction which may be exercised by Board is based upon two restrictions or limitations	7

Table of Authorities Cited

Cases	Pages
Chugach Electric Assn. Inc., et al., v. Alaska Industrial Board, etc., et al., 122 F. Supp. 210, 15 Alaska Reports 97	8

Statutes	
Sec. 43-3-4, ACLA 1949	1, 3, 5, 7

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APPELLEES' PETITION FOR A REHEARING.

*To the Honorable William Denman, Chief Judge, and
to the Honorable Associate Judges of the United
States Court of Appeals for the Ninth Circuit:*

Appellees ask for a rehearing because they believe the Court in its Opinion of April 29, 1957, inadvertently misconstrued the language of Section 43-3-4, ACLA 1949, which reads:

“§43-3-4. Modification of compensation: Continuing jurisdiction: Effect of review upon

minishing or increasing the compensation previously awarded, ordered, or agreed to, subject to the maximum or minimum provided in this Act."

The sentence starts off with the important words, "To that end." The clear meaning is, "For that purpose." It might as well have said "For the accomplishment thereof."

What is "that end"? What is "that purpose"? What is "to be accomplished"?

Context and grammar clearly affirm that "that end" is the provision in the immediately preceding or first sentence, namely: that, if after it is found that an employee is entitled to, or after an employee is awarded, compensation under one provision of the Act, it develops that the employee is or was entitled to a higher rate of compensation under that same or some other provision of the Act, that the Board shall have jurisdiction to award such higher rate of compensation, after first deducting the amount that has already been paid the employee.

"That end" modifies only the first sentence of the Section. The only possible "end" to be accomplished is to carry out the provisions of the first sentence of the Section.

"To that end" is a condition precedent to the whole of the second sentence. "To that end" is as much a condition precedent to the second clause of the second sentence, viz.: "and said Board may, at any time and upon its own motion or on application, review any agreement, award, decision or order," as it

is to the first clause of the second sentence, viz.: "the Industrial Board is hereby given and granted continuing jurisdiction of every claim." Each is based upon the situation arising as stated in the first sentence. The English language permits of no other construction. It is incredible to believe that if an employer found that it was paying too much compensation to an employee that the Board would take jurisdiction unless the situation under the first sentence had arisen. The second sentence is a whole sentence. It is not divided into two parts. Its second clause is not separated from the first clause by even a semi-colon; but, only by a comma, clearly indicating that its intent, too, is based upon the existence of the situation provided for by the first sentence. If that situation does arise then the Board, if it finds facts upon which to base it, may either end, diminish, or increase the compensation, subject to the maximum or minimum provided by the Act, and, also, subject under the first sentence to deducting compensation already paid if the employee is awarded a higher rate of compensation.

Nowhere else in the Act is "continuing jurisdiction" granted. It is found only in this one sentence in Section 43-3-4, ACLA 1949.

The third sentence of that Section reads:

"No such review shall affect such award, order or settlement as regards any moneys already paid, except that an award or order increasing the compensation rate may be made effective from a date of injury, and except that if any part of the compensation due or to become due is unpaid an award or order decreasing the compensation rate

may be made effective from the date of injury, and any payments made prior thereto in excess of such decreased rate shall be deducted from any unpaid compensation, in such manner and by such methods as may be determined by the Industrial Board; provided, however, that no compensation under such increased rate shall be paid unless the disability entitling the employee thereto shall develop and claim be presented within three (3) years after the injury.”

The review herein mentioned is that mentioned in the second sentence of the Section.

But here again is clearly disclosed that the second sentence is conditioned upon the situation arising under the first sentence, namely, upon it developing that the employee is entitled to an increased rate of compensation thereunder, because the last clause of the third sentence reads: “Provided, however, that no compensation under such increased rate shall be paid unless the disability entitling the employee thereto shall develop . . .”

This clause clearly subjects the whole of the second sentence to the situation arising as provided for by the first sentence.

It limits the jurisdiction to a claim for an increased rate of compensation. Thus, leaving the second and third clauses of the second sentence, if it be not subject by “To that end” viz.: “and said Board may, at any time and upon its own motion or on application, review any agreement, award, decision or order, and on such review, may make an order or award ending,

diminishing or increasing the compensation previously awarded, ordered, or agreed to," available only for use in a contention, which is not the case here, that the employee's compensation be ended or diminished, because the last clause of the third sentence clearly states: "Provided, however, that no compensation under such increased rate shall be paid unless the disability entitling the employee thereto shall develop . . . "

This proviso clearly declares the intent that the only "continuing jurisdiction" of any kind of the Board is based upon the situation arising under the first sentence of Section 43-3-4, ACLA 1949, because it is unthinkable that the Board of its own motion can end or diminish the employee's compensation, but not increase it, yet this proviso expressly prohibits an increase in the rate of compensation unless the situation arises under the first sentence of that Section. Clearly "To that end," which is the situation arising in the first sentence of the Section, governs and controls the whole of the second sentence of the Section.

Furthermore, the last clause of the third sentence puts the further limitation of time on when the "continuing jurisdiction" under the second sentence may be exercised, by stating "and claim be presented within three (3) years after the injury."

Thus, Appellees urge that the continuing jurisdiction which may be exercised by the Board under Section 43-3-4, ACLA 1949, is based upon two restrictions or limitations, viz.: First, that a situation arise, where an injured employee is entitled to or is awarded com-

pensation under some provision of the Act, and afterwards it develops that the employee is entitled to a higher rate of compensation under the same or some other provision of the Act; and, Second, that the employee's claim for such increased rate of compensation be presented within three years after he suffered his injury.

Such are not the facts here.

Appellees rely upon the late Judge Folta's Opinion herein, viz.: *Chugach Electric Assn. Inc., et al., v. Alaska Industrial Board, etc., et al.*, 122 F. Supp. 210, 15 Alaska Reports 97.

Appellees cite no other decisions, as Judge Folta's Opinion is based upon this particular Section.

Wherefore, Appellees pray that this Petition for a Rehearing may be granted.

Dated, Juneau, Alaska,
May 21, 1957.

Respectfully,

ROBERTSON, MONAGLE & EASTAUGH,

R. E. ROBERTSON,

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By R. E. ROBERTSON,

*Attorneys for Appellees
and Petitioners.*

CERTIFICATE OF COUNSEL.

I hereby certify that in my judgment the foregoing Petition for Rehearing is well founded and that it is not interposed for delay, and that it is meritorious because this Honorable Court has inadvertently but erroneously misconstrued Section 43-3-4, ACLA 1949.

Dated, Juneau, Alaska,
May 21, 1957.

R. E. ROBERTSON,
*Of Counsel for Appellees
and Petitioners.*

See Vol. 3031
3032
3033

IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Interveners-Appellants,

VS.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

MAIN BRIEF OF PLAINTIFF AND
PLAINTIFFS-INTERVENERS-
APPELLANTS.

THOMAS E. SCOFIELD,
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SUBJECT INDEX

Designation of the Parties	1
Statement Anent Jurisdiction and Pleadings	2
Statement of the Case	3
Chronology of Facts	5
Defendants Are Guilty of Unfair Competition	13
Damages Resulting from Defendants' Unfair Competition	15
Gulf Oil of Canada	15
Union Producing Company	17
Gulf Oil Purchases in the United States	17
Miscellaneous Companies	18
Judgment of Trial Court on Wright Patents Should Be Affirmed	18
Patent Office Proceedings	19
California Litigation	28
Chronological Schedule of Facts and Pleadings 1944-1955	35
Questions Involved	41
Specification of Errors	42
Argument—	
A. The District Court Erred in Finding Plaintiff and Plaintiff-Interveners Guilty of Unclean Hands	47
A-1. Domestic and Foreign Litigation	47
A-2. Canadian Litigation	48
A-3. The Action in Mexico	52
A-4. Kansas Litigation	52
A-5 Venezuelan Suits	52
A-6. Recapitulation Anent Litigation	53
A-7. Plaintiff and Plaintiff-Interveners Had a Legal Right to Bring and Prosecute These Law Suits	54

B. Plaintiff Hall Is Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter	56
B-1. Hall Acted in Good Faith	56
B-2. Offer of License Not a Threat of Suit	56
B-3. No Evidence That Offer Was in Bad Faith	57
B-4. Hall Had Right to Sue on Issuance of His Patent	57
B-5. Having Right to Sue, Hall Could Waive the Right and Grant a License	57
B-6. License Granted Before Patent Issued Would Be Valid	58
B-7. Letters Sent by Counsel So Cannot Be Basis of Unclean Hands	58
B-8. No Justification in Evidence That \$2.50 Royalty Not Within Bounds of Economic Reason (Finding XX)	59
B-9. Plaintiff Hall Purged Himself of Any Evidence of Unclean Hands	61
C. Justification for Sending the \$2.50 Royalty Letter Because of Trial Court's Continued Refusal to Grant Relief	62
C-1. Schedule of Petitions to Trial Court	62
D. Plaintiff-Intervenors Not Chargeable with Action of Plaintiff Hall	64
E. Hall Patent Prosecution and How Patent Was Brought into This Case	65
F. The Invention of the Hall Patent	67
G. Defendants Asserted the Hall Invention Patentable and Not Anticipated by the Prior Art and Is Entitled to Generic Claims (Exhibit 119)	71
H. Defendants' "Multiflex" and "Nu-Coil" Scratchers Infringe the Hall Patent	72
I. The Trial Court's Finding that the Hall Patent Lacked Invention Is Not Supported by the Evidence, and This Court Is Not Bound by Such Finding	73

J. This Court May Decide the Issue of Validity Without Remanding	74
Conclusion	75

TABLE OF CASES

Alamo Refining Co. v. Shell Development Co., 99 F. Supp. 790, 795	56, 64
Alamo Refining Co. v. Shell Development Co., 84 F. Supp. 325, 329	64
Armour & Co. v. Haugen, 95 F. 2d 196, 200 (C.C.A. 8, 1938)	53
Breden et al. v. National Met. Co., (C.C.W.D. of Pa.) 182 F. 654, 660	57
Breden v. Solomon, (C.C.D. of Md.) 145 F. 944	57
Brooks Bros. v. Brooks Clothing of California, 5 F.R.D. 14, 16	73
Celite Corp. v. Dicalite, 96 F. 2d 242, 250-1	14
Celotex Co. v. Insulite Co., 39 F. 2d 213, 218 (D.C. Minn., 1930)	55, 58
B. B. Chemical Co. v. Ellis, 314 U.S. 495, 498, 86 L. Ed. 367	15, 61
Chicago Pneumatic Tool Co. v. Hughes Tool Co., 192 F. 620, 630 (C.C.A. 10)	19
Circle S. Products Co. v. Powell Products, Inc., et al., 174 F. 2d 562, 565	14
Communist Party v. Peek, 30 Cal. 2d 536, 546, 127 P. 2d 889	60
Complete Service Bureau v. San Diego Medical Society, 43 Cal. 2d 201, 217, 272 P. 2d 497	54
Connolly v. Union Sewer Pipe Co., 184 U.S. 540, 545, 46 L.Ed. 679	54
Cook Packing Co. v. V. H. Parker & Sons, 89 W. Va. 7, 109 S.E. 744, 747	58, 59
Cowchella Farms, Inc., v. Martin, 219 Cal. 1, 25 P. 2d 435	61
DeForest Co. v. U. S., 273 U.S. 236, 241	57
Dehydrators, Ltd., v. Petrolite Co., 117 F. 2d 183, 187 (C.C.A. 9th)	15

Derman v. Stor-Aid, 141 F. 2d 580, 584 (C.C.A. 2d)	64
Dewey & Almy Chemical Co. v. Mimex Co., 124 F. 2d 986, 989	70
Eastern Venetian Blind Co. v. Acme Steel Co., 188 F. 2d 247, 254 (C.C.A. 4th)	61
Eible Process Co. v. Minnesota & Ontario Paper Co., 261 U.S. 45, 46, 67 L. Ed. 523	70
Elford v. Hiltabrand, 63 Cal. App. 2d 65, 72, 146 P. 2d 510	60, 61
Equitable Life Assurance Society of the United States v. Irelan, 123 F. 2d 462, 464 (C.C.A. 9, 1941)	75
Equitable Life Assurance Society v. West, 102 F. 2d 10, 14 (C.C.A. 8, 1939)	53
Ethyl Gasoline Corp. v. U. S., 309 U.S. 436, 459	15
J. C. Ferguson Mfg. Wks. v. American Lecithin Co., 94 F. 2d 729 (C.C.A. 5)	15
Flynn & Emrich Co. v. Federal Trade Commission, 52 F. 2d 836, 838 (C.C.A. 4, 1931)	55
Hagen v. Potter, 156 F. 2d 362, 365 (C.C.A. 9th)	61
Harlan v. Willard, 52 Cal. App. 194, 198, 198 P. 424	57
Heuser v. Federal Trade Commission, 4 F. 2d 632, 634 (C.C.A. 7, 1925)	55
Hurwitz v. Hurwitz, 136 F. 2d 796, 78 U.S. App. D.C. 766, 799	74
Hycon Mfg. Co. v. H. Koch & Sons, 219 F. 2d 353, 356 (C.C.A. 9th)	73, 74
Illinois Co. v. Coffman, (Ind. App.) 188 N.E. 217, 219	61
Independent Wireless Tel. Co. v. Radio Corp. of Amer- ica, 269 U.S. 459, 469	57
Johnson Laboratories, Inc., v. Meissner Mfg. Co., 98 F. 2d 937, 948	54
Keystone Type Foundry Co. v. Fastpress Co., (2nd Cir.) 272 F. 242	58
Kleine v. Burke Construction Co., 260 U.S. 226, 230	53
Kryptok Co. v. Stead, 190 F. 767, 39 LRA NS 1	54
Lane-Wells Co. v. M. O. Johnston Oil Fields Serv. Corp., 181 F. 2d 707, 710	73

INDEX

v

Leishman v. General Motors Corp., 191 F. 2d 522, 531 (C.C.A. 9)	70
Leitsch v. Barber Co., 302 U.S. 159	15
Leo Feist v. Young, 138 F. 2d 972, 974, 975-976 (C.C.A. 7)	54, 56-57
Magnetic Eng. Mfg. Co. v. Dings Mfg. Co., 178 F. 2d 866, 868	15
McComb v. Utica Knitting Co., 164 F. 2d 670, 674 (C.C.A. 2)	75
McKee et al. v. Graton, 87 F. 2d 262	70
McPoskey v. Braun Mattress Co., 107 F. 143, 147 (C.C.A. 9)	19
Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661	15
Metals Disintegrating Co. v. Reynolds Metal Co., 107 F. Supp. 105	61
Metro-Goldwyn Mayer Corp. v. Fear, 104 F. 2d 892	14
Meuer Steel Barrel Co. v. Martin, 1 F. 2d 687 (C.C.A. 3)	59
Morton Salt Co. v. Suppinger, 314 U.S. 488	15
Mutual Life Ins. Co. v. Bruni's Assignees, 96 U.S. 588, 593, 24 L. Ed. 737	53
National Metal Co. v. Breden, (3rd Cir.) 186 F. 491, 493	57
New York Life Insurance Co. v. Stoner, 92 F. 2d 845, 848 (C.C.A. 8, 1937)	53
Novadel-Agene Corp. v. Penn, 100 F. 2d 756 (C.C.A. 5th) 119 F. 2d 756	61
Ohio Bell Telephone Co. v. Quality Public Utilities, 301 U.S. 292, 81 L. Ed. 1093	60
Paul E. Hawkinson Co. et al. v. Arnell et al., (3rd Cir.) 112 F. 2d 398	57
Pointer v. Six Wheel Corp., 177 F. 2d 153 (C.C.A. 9th), cert. den.	69
Russo v. Thompson, 294 Mass. 4, 200 N. E. 570, 573	58
Schneiderman v. U. S., 320 U.S. 118, rehearing denied 320 U.S. 807	73
Standley v. Knapp, 113 Calif. App. 91, 95, 298 Pac. 109	60

St. Louis Street F. M. Co. v. Sanitary Sheet F. M. Co., 178 F. 923	58
Sylvania v. Visking Corp., 132 F. 2d 947 (C.C.A. Va.)	61
Takahashi v. Fish & Game Comm., 30 Cal. 2d 719, 732, 185 P. 2d 805	60
J. S. Tyne Chemist, Inc., v. Thyme Borine Laboratory, 151 F. 2d 621, 624	75
Universal Sewer Pipe Corp. v. General Const. Co., 42 F. Supp. 152	61
Urbain & Loxit v. Knapp Bros., 217 F. 2d 810 (C.C.A. 6, 1954)	75
U. S. v. Esnault-peterie, 299 U.S. 198, 201, 81 L. Ed. 123	19
Varcoe v. Lee, 180 Cal. 338, pp. 345, 346, 181 P. 223	60
Waialua Agr. Co., Ltd., v. Moneja et al., 178 F. 2d 603, 608	73
Weitzenkorn v. Lesser, 40 Cal. 2d 778, 256 P. 2d 947	60
York v. Strommen, 105 Cal. App. 2d 586, 234 P. 2d 134	58
Zephyr American Corp. v. Bates Mfg. Co., 59 F. Supp. 573, 575	54

TEXTS AND STATUTES

California Code of Civil Procedure, Sec. 1875	60
California Code of Civil Procedure, Sec. 1963 (19)	55
'31 C.J.S. 703, Note 96	61
43 C.J.S., pp. 499-500	54
Restatement of Torts, Vol. 4, Sec. 950, pp. 766-767	62
Rules 13(c) and 13(d), F.R.C.P.	66
Ruling Case Law, Vol. 15, p. 1057	60
Title 15 U.S.C., Secs. 1-3	2
Title 15, U.S.C., Secs. 1 to 3 and 15 and 16	3
Title 15, U.S.C., Sec. 26	2
Title 28, U.S.C., Secs. 1332 and 1338	2
Title 28, U.S.C., Secs. 2201, 2202 and 1332	2, 3
Title 35, U.S.C., Secs. 283, 284 and 285	2

IN THE
UNITED STATES COURT OF APPEALS
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CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Intervenors-Appellants,

vs.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

MAIN BRIEF FOR APPELLANTS.

DESIGNATION OF PARTIES.

To simplify preparation and consideration of appellants' cause on appeal, plaintiff and plaintiff-intervenors below will hereinafter be designated as "Plaintiffs", the plaintiff Jesse E. Hall as "Hall" and appellee's, defendants and counter-claimants below as "Defendants", the defendant Kenneth A. Wright as "Wright" and defendant corporation B & W, Inc., as "B & W".

STATEMENT ANENT JURISDICTION AND PLEADINGS.

The District Court had jurisdiction of this case under Title 28, U.S.C., Secs. 1332 and 1338 and under the Patent Statutes of the United States.

1. This action was commenced on a complaint filed December 10, 1947, which included causes for:—

(a) declaratory relief and reformation of a contract under Title 28, U.S.C., Secs. 2201, 2202 and 1332.

(b) violation of the Anti-trust Laws of the United States under Title 15, U.S.C., Secs. 1 and 2 and Clayton Act, 15 U.S.C., Sec. 26.

2. The answer to this complaint filed March 16, 1948, contained counter claims

(a) for cancellation of the contract

(b) for infringement of the Wright patents here in controversy under Title 28, U.S.C., Sec. 1332 and the Patent Laws of the United States under Title 35, U.S.C., Secs. 283, 284 and 285.

3. After several amendments and supplemental complaints, the cause came to judgment on the following pleadings:

(a) a second amended complaint filed January 2, 1953, containing causes for Reformation of Contract, Declaratory Relief, Breach of Contract, Anti-trust Violation, Unfair Competition and an Accounting for unjust enrichment of defendants under Title 28, U.S.C., Secs. 1332, 2201 and 2202, Title 15, U.S.C., Secs. 1-3 and Sec. 26.

(b) the answer of defendants Wright and B & W, Inc., filed March 20, 1953, containing counter-claims for Declaratory Relief and Judgment under

Title 28, U.S.C., Secs. 2201 and 2202 for infringement of the Wright patents here in controversy under Patent Laws of the United States and for violation of the Anti-trust statutes, Title 15, U.S.C., Secs. 1 to 3 and 15 and 16.

(c) By stipulation and partial judgment dated November 6, 1953:

(1) plaintiff and plaintiff-intervenors dismissed all causes in their Second Amended Complaint with prejudice except the causes for Unfair Competition and an Accounting.

(2) Defendants dismissed with prejudice their counterclaims for Declaratory Relief, Violation of the Anti-trust Laws, leaving only their counterclaims for Unfair Competition and for Patent Infringement.

(d) Amendment to the Second Amended Complaint and Supplemental Complaint filed March 18, 1954, *nunc pro tunc* as of March 17, 1954, added a cause of action for Infringement of the Hall patent No. 2,671,515 (R. 3640).

(e) Defendants' Supplemental Answer and Counterclaim filed March 17, 1954, was by order of Court deemed to be an Answer to the amendment to the Second Amended Complaint and Supplemental Complaint. The Counterclaims were for Declaratory Judgment that defendants did not infringe the Hall patent No. 2,671,515 and that the Hall patent was invalid.

(f) Reply thereto by plaintiff and plaintiff-intervenors was on March 18, 1954.

STATEMENT OF THE CASE.

This appeal is from a judgment of the District Court dismissing a complaint of plaintiff and plaintiff-intervenors charging defendants with unfair competition and infringement of the Hall patent No. 2,671,515. The basis of

the judgment of the Court was that plaintiff and plaintiff-intervenors were guilty of such self help as to amount to unclean hands and for that reason all relief against defendants unfair competition was denied to them. The judgment also struck down the Hall patent No. 2,671,515 on the ground that it lacked invention over the very prior art which the Patent Office had considered during thirteen years of prosecution involving a variety of *exparte* and *interparte* Patent Office proceedings principally provoked by defendants and in which defendants were parties opposing the issuance of the Hall patent.

Plaintiff Hall and plaintiff-intervenors who are his licensees (Exhibits 153 A through 170, Finding III) charged defendants with unfair competition because of their activities in appropriating and monopolizing the business of manufacturing and selling oil tools known as "scratchers" and in this connection accusing plaintiff, plaintiff-intervenors and their customers with infringement of the Wright patents. Defendants did this well knowing their patents did not cover the accused devices nor the methods with which the devices were employed. These accusations were made not as a preliminary to bringing suit but as a coercive device to intimidate customers and to induce them to purchase scratchers from defendants rather than from plaintiff first and later from plaintiff-intervenors. Defendants' activities constituted a persistent and inequitable effort to appropriate and monopolize under the guise of a patent monopoly a business that the patents did not embrace (Findings XIV, XV, XVa, XVb, XVc and XXIV).

As part of their campaign of unfair competition, they interfered with the legal rights of plaintiff Hall by injecting themselves into the prosecution of his applications for patent in an effort to delay and hopefully to prevent the grant of such patents knowing full well that the basis for such

activities were ill founded (Finding Xa). Besides, they went elsewhere and purchased the Black and Stroebel patent, not one here in controversy, surreptitiously organized a corporation solely for the purpose of holding the patent and bringing harassing lawsuits against plaintiff-interveners and their distributors. These suits were brought for the purpose of intimidation, harassment and coercion as a competitive device to unfairly appropriate the business of plaintiff and plaintiff-interveners (Findings XVI, XVII).

Chronology of Facts.

The facts in so far as they are pertinent to the issues are as follows: Oil wells are drilled with a string of pipe carrying at the lower end a drill bit which is rotated with the pipe from a power source located at the surface level. Mud is forced into the drill pipe at the surface and is passed downwardly through the drill pipe, out through the openings of the drill bit and back upwardly to the surface in the annulus between the pipe and the well bore. The circulating mud flushes the drill cuttings out of the well and during this circulation the wall of the well becomes coated with a mud cake.

It is common practice to insert pipe or casing to line the well bore and to place cement between the casing and the well wall at selected locations to seal the formations to the casing and prevent migration of fluids along the casing. To improve the bond between the casing and well bore and form a fluid tight seal, it is desirable to remove this mud or filter cake prior to introducing the cement between the casing and well wall. Plaintiff Hall devised a tool for accomplishing this function, it is now known in the trade as a "scratcher", an example is in evidence as Exh. 40 and the structure is shown and described in the Hall patent No. 2,671,515 (Exh. 286). This tool which is widely employed in

the oil fields is composed of a circular metallic collar extending from the periphery of which and angularly disposed with respect to the collar are wire bristles. The bristles are joined to the collar by means of spring mountings. A number of such scratchers are placed upon the casing throughout the zone to be cemented so they are free to rotate but have limited longitudinal movement along the casing between stops secured to the outer surface of the casing.

When the casing is reciprocated the scratchers move with the casing between the stops, and because of the flexible spring attachment and angular disposition of the wire bristles they reverse easily at the top and bottom of each stroke, giving the scratchers an intermittent rotative movement upon the casing so the wires are moved to new positions at each reciprocation covering the entire well bore with an abrading action to remove the mud cake therefrom (See Hall patent 2,671,515, Exh. 286).

Hall first filed an application for this tool on April 16, 1941, as Serial No. 388,891 (Exh. 1, R. 385), and an application for a method in which this tool was employed on March 27, 1944, as Serial No. 528,183 (Exh. 2).

Hall's patent applications (Exhs. 1 and 2) were placed in interference with an application filed by defendant Wright Serial No. 369,389 (Exh. 8) and Wright patent No. 2,338,372 (Exh. 37, R. 3483). Wright application Serial No. 369,389 later matured as patent No. 2,374,317 (Exh. 38). The Wright method patent No. 2,338,372 discloses a brush-like structure as a wall cleaning device. The device of the Wright apparatus patent No. 2,374,317 which was what was designated by defendants as a "wall cleaning guide" differs from the Hall scratcher in that the abrading wires in Wright's tool extend radially from the collar support and were not spring mounted as were the Hall wires. This

form of wall cleaning guide was manufactured by defendant B & W, Inc., and was sold as early as 1940.

Plaintiff Hall and defendant Wright with B & W, as assignee of Wright consenting, settled the Patent Office interferences instituted between Hall and Wright by means of an agreement dated September 15, 1944 (Exh. 34, R. 3474), whereby Hall agreed to assign his applications in the interferences to Wright subject to an exclusive license back to Hall in Hall's inventions covered by claims that "may issue" in his then pending patent applications. Hall was given the privilege of prosecuting his applications by an attorney of his own choice although title to the cases had been transferred by the agreement to the defendant Wright. The parties worked amicably under this 1944 Hall-Wright agreement for a year or more.

In 1946 Hall d/b/a Weatherford Spring Company achieved considerable success with the Gulf Oil Company in cementing some of its wells with which they were having considerable difficulty in the Gulf coastal region (R. 636-7). As a result of this work, two engineers, Teplitz and Hassebroek, the former an employee of the Gulf Oil Company, gave a technical paper explaining the work at the American Petroleum Institute meeting in Shreveport, Louisiana, in May of 1946 (Exh. 66, R. 637).

In July, 1946, Barkis of B & W, Inc., informed Shell Oil Co. and Standard Oil Co. of California that the use of Hall scratchers was an infringement of Wright's patents which prompted Shell's letter of August 13, 1946, to plaintiff's counsel and the letters sent Standard Oil Company of California soon thereafter (See Exhibits 16, 17, 21, 44, 55 and 56). Immediately there arose in the minds of these companies the fear of patent litigation should they continue to purchase and use the Hall equipment then being sold by Hall's company the Weatherford Spring Company. This

apprehension is borne out by the correspondence which passed between plaintiff's counsel and the patent counsel of the respective companies (Exhs. 16, 17, BR and BS) with respect to Shell Oil Company and (Exhs. 21, 44, 55, 56, 107, 108 and 109) concerning the Standard Oil of California. The situation became so acute in August of 1946 that Hall was obliged to send his attorney to California to meet with Wright and Barkis in an attempt to adjust their differences and prevent further harassment of plaintiff's customers by defendants. The substance of the California meeting and the argument is to be found in a contemporary memorandum prepared by plaintiff's counsel in evidence as Exh. 171 (R. 3536).

In the early part of 1947 Gulf Oil Company sent plaintiff Hall and its engineer Teplitz to Venezuela to instruct the production personnel of Mene Grande Oil Company, a Gulf subsidiary, in the use of the Hall cementing method and Weatherford equipment (R. 640, 657). This trip resulted in a large order being placed by Gulf Oil Company for Weatherford products and incited defendants to renew their unfair tactics and on this occasion concentrating their threats against the Gulf Oil Co. The initial notice to Gulf Oil was sent by wire (Exh. 19) in which Gulf Oil was directly charged with infringement of the Wright method patent. The language of the wire reads in part: "The so-called Weatherford formula is an infringement of the B & W method." This infringement notice was immediately relayed to plaintiff's counsel and there ensued assurances to Gulf Oil that Hall would defend against any patent litigation. Indemnity letters confirming this are in evidence as Exhs. 20 and 147. Defendants followed these notices by personal interviews arranged immediately thereafter with personnel of the Gulf Research and Development Company, at which time they reiterated their charges of infringement (See Vollmer's memorandum of the meeting

of September 8 and 9, 1947, R. 592). The charges against Gulf Oil, Shell Oil and Standard of California were not isolated instances of defendant's use of their method patent as a coercive argument in an attempt to destroy business of plaintiff interveners, but it was a common occurrence arising in the case of many other customers with whom plaintiff was doing business. A flagrant example of this misuse was proved in the testimony of Goerner of the California Company of New Orleans where the witness reported that Barkis threw down the B & W patents on Goerner's desk and advised that the company discontinue the use of Weatherford equipment (R. 720-721). As a result of this threat, a stop order was issued to the California Company field superintendents (Exh. 101) and although this was subsequently rescinded, the damage had been done (R. 723-725). Plaintiff was put to the expense of satisfying the California company and explaining the circumstances to its Legal Department, to say nothing of the loss of business and good will which in this instance were never retrieved.

The Union Producing Company of Shreveport, Louisiana, was another victim of defendants' misuse of its patents. After hearing Teplitz give his paper on the Hall method of well conditioning, Mr. Quiggles, general manager of Union Producing, became interested and requested John Hall to ask his father to stop by and explain the features and advantages of the method. From this grew an association which culminated in the adoption by Union Producing of the Hall method and Weatherford equipment exclusively in the conditioning of oil and gas wells (Exh. 85, R. 701). The business of Union Producing Company had been obtained by an expensive procedure, including a course of instruction to the field superintendents and selected members of the drilling crews who were lectured and given practical lessons in the use of Weatherford equipment. Men skilled in the use of the tools were sent

by plaintiff on particular jobs, when the equipment was delivered to see that it was installed and serviced until such time as the drilling crews had familiarized themselves with the technique in order to avoid the possibility of trouble in the cementing of their wells (R. 700-701). This program was set up when Union Producing adopted the use of Weatherford equipment and represented a substantial investment by plaintiff Hall in the form of selling expense (R. 733-734). While this arrangement between Union Producing and plaintiff existed, defendant B & W had use for an associate counsel to represent it in the prosecution of a case pending in the Houston District of Texas and they engaged the firm of Vinson, Elkins, Weems & Francis who were likewise counsel in certain matters for Union Producing (R. 735-743, 674-677). In the course of events and prompted primarily by patent litigation, plaintiff Hall and defendant B & W had in Louisiana, over B & W's illegal use of Hall's spiral centralizers, Joseph Edwards, a patent lawyer in the Houston firm, rendered Union Producing an opinion dated December 11, 1948 (Exh. 103), that use of the Weatherford scratchers was an infringement of the B & W patents. The effect of the letter was catastrophic as far as plaintiff was concerned because business in Weatherford equipment was immediately discontinued and has never been recovered.

As a result of the earlier notices to Gulf Oil, Shell Oil and Standard Oil Company of California, a dispute arose between the parties as to the scope of the exclusive license granted to Hall under the 1944 settlement agreement (Exh. 34). Defendants denied that Hall had any right under this license to manufacture and sell the form of scratcher shown in Exh. 40 which Hall had been selling for some time prior to September 15, 1944, and which was shown in principle in the Hall application for Letters Patent 388,891 (Exh. 1) filed in the Patent Office in April, 1941. These infringe-

ment notices to both Hall and his customers are commented upon by the lower court (see Findings of Fact XIV, XV, XVa, XVb, XVc; See also stipulated Facts, Paragraphs 2, 3 and 4, R. 58-59).

These threats made by defendants, the District Court has found were made unfairly and without cause and without intent that they serve as preliminary to suit and were not given in good faith but were given in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by defendants' patents (findings of fact XIV, XV, XVa, XVb, XVc).

Supplementing this propaganda and in an attempt to obtain a portion of plaintiff and plaintiff-intervener's business, defendants devised and offered the trade in the latter part of 1947 a scratcher with angularly disposed or sidewise bristles sold under the brand name "Multiflex." Since defendants' threats and protests made Hall's customers apprehensive as to his rights under the Hall-Wright settlement agreement (Exh. 34) and recognizing the agreement was vague and ambiguous with respect to a cross license under defendants' patents, probably because Hall was not represented by counsel when the agreement was made, Hall authorized his attorney in August, 1946, to negotiate a supplemental agreement (Exh. 35, R. 3480) to correct the ambiguities of the original writing. When all attempts to adjust the differences over the provisions of the agreement failed and defendants persisted in their notices and protests, suit was brought in Los Angeles on December 11, 1947, under the Declaratory Judgment Statute seeking an interpretation of certain provisions of the agreement, reformation to conform with the intent of the parties, and an injunction against further unfair tactics and misuse of the Wright patents (R. 3-18): Simultaneously with the filing of the

suit on December 11, 1947, there was obtained an order to show cause why a preliminary injunction should not issue to enjoin defendants from noticing customers on their method patent and using the settlement agreement to unfairly compete in the sale of their equipment (R. 19-20). This motion was denied on January 19, 1948 (R. 24).

Taking advantage of this refusal of the court to give plaintiff relief by preliminary injunction from tactics which the Court later agreed constituted unfair competition, the defendants persisted in their unfair tactics over a prolonged period since the filing of the original action on December 11, 1947, by not only making threats and misrepresentations to customers of plaintiff, but later against those of plaintiff-interveners. Thus, defendants both before and during the pendency of this litigation and up until the issuance of the injunction of January 26, 1952, have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that they infringe the Wright method and apparatus patents Nos. 2,338,372 and 2,374,317.

In answer to the original complaint defendants counterclaimed for infringement of the Wright patents and cancellation of the Hall-Wright agreement (R. 25-53). At the beginning of the trial in May, 1949, plaintiff Hall notified the court that he was willing to acquiesce in defendants' counterclaim for cancellation of the agreement (Exh. 34) and the court indicated its willingness to cancel the contract since it would simplify the issues in the case. Upon consideration overnight however defendants withdrew their counterclaims for cancellation and the Court dismissed it and the trial proceeded on the declaratory judgment and reformation issues pertaining to the contract provisions (R. 56). The trial was adjourned before completion to redraft pleadings, to include issues provoked by the sale

by defendants of the Multiflex scratcher, to take depositions and because of the court's prior docket commitments (R. 481-482). In its First Amended Complaint filed June 7, 1949, plaintiff Hall again sought declaratory relief as to the Hall-Wright contract (Exh. 34), pleaded a cause of action for breach of contract because of the manufacture and sale by defendants of the Multiflex scratcher (Exh. 57) and for unfair competition and prayed an injunction issue against defendants from bringing suits and noticing Plaintiff's customers of patent infringement. In the latter part of 1949 defendants abandoned all reservations had theretofore and began manufacturing and selling a second sidewise bristle scratcher, appropriating the novel structure of the Hall device under the trade name "Nu-Coil" (Exh. 72) which was substantially a replica of Hall's design. Defendants brazenly solicited the trade evidently convinced by this time that Hall's patent would never issue (R. 662-666).

DEFENDANTS ARE GUILTY OF UNFAIR COMPETITION AND UNCLEAN HANDS.

The findings and conclusions of the trial court that the defendants were guilty of unfair competition and unclean hands is fully sustained and established by the law and evidence.

The trial court said in its memorandum of decision (page 5) with respect to the notices which have been sent out by the defendants:

"Among the acts of unfair competition claimed by plaintiff and plaintiff-interveners is the allegation that defendants Wright and B & W, Inc., both before and during the pendency of this litigation have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that the customers infringed the monopoly of the Wright method patent No. 2,338,372 by the use of scratchers in the cementing operations incident to completion of oil wells.

“The evidence sustains the charge since it is clear that the notices were given directly and indirectly without intent that the notices serve as preliminary to suit. Moreover, the notices were not given in good faith since patent No. 2,338,372 does not teach or claim or even mention any method of carrying on the cementing operations incident to the completion of an oil well.”

Findings XIV, XV, XVa, XVb and XVc are based upon this portion of the decision. These findings are fully supported by the evidence and defendants' acts constitute unfair competition and amount to unclean hands.

The assertion by defendants of threats and notices based upon their patents Nos. 2,338,372 and 2,374,317 of a limited monopoly in matters not covered by these patents constitutes such unclean hands as to justify denying all relief to defendants under their counterclaims. The method patent No. 2,338,372 did not disclose and cover any method which defendants claimed in their notices constituted infringement and for which they demanded a 60¢ royalty. The findings XIV, XV, XVa, XVb and XVc are fully supported by the evidence. It is not necessary to show an intent to monopolize, since the intent is implied from the actions themselves. However, in this case the evidence shows that the defendants knew that their patents did not cover the manufacture, use or sale of the Hall type scratcher and their charges of infringement and litigation to enjoin plaintiff and plaintiff-interveners in the manufacture and sale of these scratchers and their use by their customers was an effort to exercise a monopoly not given them by the patents.

Metro-Goldwyn Mayer Corp. v. Fear, 104 F. 2d 892 (quoted in Appendix).

Celite Corp. v. Dicalite, 96 F. 2d 242, at 250-1.

Circle S. Products Co. v. Powell Products, Inc., et al., 174 F. 2d 562, at 565.

Magnetic Eng. Mfg. Co. v. Dings Mfg. Co., 178 F. 2d 866, at 868.

Their efforts are therefore such as to warrant review by a court to exercise its equitable jurisdiction in aid of such an illegal monopoly.

Ethyl Gasoline Corp. v. U. S., 309 U.S. 436, 459.

Leitsch v. Barber Co., 302 U.S. 159.

Morton Salt Co. v. Suppinger, 314 U.S. 488.

B. B. Chemical Co. v. Ellis, 314 U.S. 495.

Mercoird Corp. v. Mid-Continent Inv. Co., 320 U.S. 661.

Dehydrators, Ltd., v. Petrolite Co., 117 F. 2d 183, 187 (C.C.A. 9th).

J. C. Ferguson Mfg. Wks. v. American Lecithin Co., 94 F. 2d 729 (C.C.A. 5).

DAMAGES RESULTING FROM DEFENDANTS' UNFAIR COMPETITION.

The Trial Court observed during the trial of this case that it was unnecessary in plaintiff's *prima facie* case to prove all the damage that had been done but only that there was damage and that there was damage of some consequence. When plaintiff and plaintiff-intervenors, finally obtained access to defendants' sales records, schedules and charts were prepared comparing the sales of defendants with those of plaintiff and plaintiff-intervenors over the critical periods when unfair competition was charged (R. 1619-1636).

Gulf Oil of Canada.

Schedules and charts of the sales of Weatherford Limited and Import Tool Co., B & W's distributor, to Gulf Oil Company of Canada are in evidence as Exhibits 175A, 175B, 175F, 175G, and 175I and were explained by the witness Bowersock (R. 1622-1636, 2633-2646). The scratcher

sales of Weatherford Limited from June, 1950, through October, 1953, were taken from schedule Exhibit 175 and graphically shown on chart Exhibit 175A. The centralizer sales of Weatherford Limited to the same company for the same period are shown on the chart Exhibit 175B. In a like fashion B & W sales in scratchers and centralizer sales to Import Tool Co. have been charted (R. 2633-2644).

It will be noted that Weatherford Limited scratcher sales to Gulf of Canada were interrupted from September, 1951, to June, 1953, the former date corresponding to the time when the stop order was issued by Dr. Foote of Gulf Oil Company against the purchase of Weatherford equipment dated July 23, 1951 (Exh. 81). The influence of the stop order on Weatherford Limited scratcher sales is reflected to a slightly lesser extent on the sale of centralizers to the Gulf Oil of Canada as shown in chart Exhibit 175B.

To show the loss in Weatherford Limited scratcher sales and corresponding increase in B & W sales to this company, the scratcher charts have been superposed in a combined chart, Exhibit 175F. The same procedure has been adopted to show how centralizer sales shifted from Weatherford Limited to B & W, Inc., by the chart, Exhibit 175G (R. 2633-2644).

To refute the propaganda and assertions by defendants that their wall cleaning guides provided a substantial part of B & W scratcher business in Canada, and that appropriation of Hall's non-radial bristle type scratchers in the form of Multiflex and Nu-Coil played but a small part in the volume increase of sales of B & W, a chart, Exhibit 175I, was made and cross-hatched to show the percentage of the different types of B & W scratchers sold to Gulf Oil of Canada.

Union Producing Co.

The Weatherford and B & W sales of scratchers and centralizers to Union Producing Company over corresponding periods between June, 1946, through October, 1953, are shown in Exhibits 176H, 176I and 176K. The Weatherford scratcher sales and B & W scratcher sales are superimposed on a chart Exhibit 176H and the Weatherford centralizer sales superimposed upon the B & W centralizer sales to Union Producing on chart Exhibit 171 (R. 1625-1632, 2645-2646).

Weatherford scratcher sales to Union Producing Co. ceased in February of 1949 except for small isolated sales in December, 1949, and January, 1950. Weatherford centralizer sales to Union Producing terminated in January, 1949, this business being lost as a result of the Joe Edwards letter (Exh. 103) dated December 11, 1948. The charts also show when Weatherford scratcher sales to Union Producing terminated and B & W scratcher sales began. Likewise, it will be noted that B & W centralizer sales were obtained principally after plaintiff-intervener Weatherford Oil Tool Company had been cut off from the sale of scratchers by the Edwards letter. The chart, Exhibit 176H, graphically reveals how the scratcher business was appropriated by defendant B & W, Inc., while Exhibit 176I shows the course of the centralizer business to this customer.

Gulf Oil Purchases in the U. S.

Charts 177a and 177d show the purchases of scratchers by Gulf Oil Company from plaintiff Hall and Weatherford Oil Tool and B & W, Inc., respectively. A comparison of these charts shows Gulf Oil Company sought to appease B & W, Inc., by purchases of their scratchers after defendants' charges of infringement were made in 1947.

From the beginning of 1950 to date, the decrease in scratcher sales suffered but Weatherford is reflected as an increase of purchases of scratchers and centralizers by Gulf Oil from defendant B & W, Inc.

The predominance of sales to Gulf Oil Company of B & W non-radial Hall type scratchers (Multiflex and Nu-Coil) over the radial bristle wall cleaning guide to Gulf Oil is shown by Chart, Exhibit 177G (R. 1633-1634, 2650-2652).

Miscellaneous Companies.

Other charts are in evidence showing the damage suffered by plaintiff and plaintiff-intervenors, including sales to The California company, The Texas company, The Standard Oil Company of California and Amerada Petroleum Company (R. 1634-1636, 2654-2655).

From the above proofs it is submitted that plaintiff and plaintiff-intervenors have shown irreparable injury from loss of sales due to the defendants' acts of unfair competition. These charts show damage of consequence which justifies an order for an accounting to complete their proofs of damage.

THE JUDGMENT OF THE TRIAL COURT ON THE WRIGHT PATENTS SHOULD BE AFFIRMED.

The judgment of the Trial Court dismissing defendants' counterclaim for infringement insofar as it relates to the Wright patents should be sustained irrespective of whether the Court's finding of invalidity of the above patents because of lack of invention is affirmed. The Court found that the scratchers manufactured and sold by plaintiff and plaintiff-intervenors were not covered by Wright's patent No. 2,338,372 or No. 2,374,317. It found that the customers of scratchers did not employ the scratchers in methods cov-

ered by patent No. 2,337,372. The pertinent findings are XIV, XV, XVa, XVb and XVc. While the court did not make conclusions of law on this point, item 6 of the judgment dismissing the counterclaim of defendant at least insofar as these patents are concerned is supported by these findings. Findings of non-infringement are findings of fact. *U. S. v. Esnault-peterie*, 299 U.S. 198, 201, 81 L. Ed. 123 and cases cited therein. *McPoskey v. Braun Mattress Co.*, 107 F. 143, 147 (C.C.A. 9); *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, 192 F. 620, 630 (C.C.A. 10).

The Court found that defendants had asserted the patents in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by these patents (see Findings XVa and XVc). These are findings on which it is proper to conclude the defendants have misused their patents in an effort to illegally restrain competition, and the court's dismissal of the counterclaim should therefore be affirmed.

PATENT OFFICE PROCEEDINGS.

Beginning as early as February of 1949, defendants had been persistent in attempting to delay and prevent the issuance of a patent to Hall although they asserted ownership in his applications by reason of the agreement (Exh. 34, see Agreed Statement of Facts Exhibit FZ, paragraphs 10 and 11, R. 2940-2941) and although the applications were being prosecuted by Hall's attorney under the provisions of the same agreement. It was to their advantage to prevent granting of the patent because it would not only define Hall's rights under his exclusive license but the patent also posed a potential threat to defendant's activities and termination of the pirating of Hall's design.

The first obstructive measures used by defendants were the filing of protests under Patent Office rules 11

and 291 in February and July of 1949 (Exh. 131). These protests resulted in a final rejection by the Patent Office Examiner of Hall's application Serial 55,619 (Exh. 69) requiring an appeal to the Board of Appeals which delayed the prosecution to January of 1950. No sooner had the Board of Appeals awarded Hall claims in his application on his scratcher construction than defendants provoked an interference No. 84,411 (Exhs. 71a, 71b) involving the allowed claims and contesting Hall's right to the claims in a Wright application Serial No. 777,640 (Exh. 70). With the delays normal to the prosecution of an interference, the year of 1950 had passed before the interference was dissolved by a Patent Office decision dated December 15, 1950 (Exh. 71b). By this decision it was held Wright had no standing in the interference and that he was barred by plaintiff's advertising which appeared in the Oil Weekly July 7, 1941 (Exhibit A, R. 3646 and 85-95).

After being unsuccessful in their attempts in the interference, defendants then petitioned the Commissioner of Patents to strike the Hall applications, charging Hall with fraud in filing them and in their prosecution (Exh. 133). These proceedings in the Patent Office covered the year 1951 and an idea of their ramifications may be obtained from an examination of the schedule which forms a part of Exh. 285 (R. 3634 through 3639 inclusive). Finally, Hall's application Serial 55,619, Exh. 69, was cleared in a decision dated December 12, 1951 (Exh. 71d). By this time both the Multiflex and Nu-Coil type scratchers of defendant B & W were being sold in considerable volume. The trade was being kept advised of the significance of the Wright method patent by advertising (Exhibits 128, 129, 209 and 210) and other types of selling propaganda, so some new scheme or plan had to be contrived to delay the issuance of a patent to Hall.

As an indication of the energy and diligence with which this program of obstruction was being conducted, no sooner had the decision of December 12, 1951, been rendered than defendants were back in the Patent Office with new proceedings. On December 14, 1951, defendants filed a Petition to Institute Public Use Proceedings (Exhs. 135 and BO). On January 17, 1952, defendant Wright filed a Petition to the Commissioner of Patents to Direct Rejection of the interference counts (Exh. 132) and on January 22, 1952, he renewed his Petition to Strike the Hall applications (Exh. 134). The propriety of instituting Public Use Proceedings and Wright's Petition to Strike were heard in April, 1952, and by a decision dated September 9, 1952, Hall was put under order to show cause why his application Serial No. 627,013 (Exh. K) should not be stricken (Exhs. BO and TT). On November 4, 1952, by Exh. DDD defendants renewed their Petition to Strike Hall application Ser. No. 55,619 and by a decision dated December 9, 1952 (Exhibits UU and BP), the Public Use Proceeding was instituted and the Patent Office ordered proofs on the question of fraud to be adduced simultaneously.

The taking of this evidence in the public use proceeding embraced the first half of 1953; the matter was heard in August and a decision was rendered December 2, 1953 (Exh. 216). Hall was absolved from the fraud charge and no instance of "public use" was proved against his invention, but defendants had again gained time to pursue their vicious program of unfair competition. Undaunted, however, they were back in the Patent Office with petitions and requests for reconsideration. In Decisions dated December 24, 1953, and December 29, 1953 (Exh. 216, R. 3544-3584), and January 13, 1954 (Exh. 216A, R. 3585), efforts to prevent issuance of the Hall patent were finally defeated.

In view of the above which is but a short resumé of the endless proceedings there can be no legitimate contention that any of the proceedings were well founded and defendants' own conduct and actions constitute the best evidence in this regard. In so far as the interference contest over Hall's claims is concerned, there was no excuse for that proceeding. Wright had taken title to the Hall application Serial No. 388,891 (Exh. 1) under the 1944 agreement (Exh. 34) and had granted an exclusive license to Hall under these patent applications without questioning Hall's right to the invention contained therein. Throughout the years until April, 1950, when Wright made the Hall claims in his application Serial No. 777,640 (Exh. 70) and entered the interference contest, Hall's right to the invention of a non-radial or sidewise bristle scratcher had never been questioned. In fact both Wright and his attorneys representing him here affirmed Hall's claims to this improvement as late as January 27, 1950, just before they learned of the Board of Appeals decision awarding Hall the claims. Counsel's letter addressed to Hall's attorney reads in part as follows:

"It would appear to me that the generic claim which was allowed in 627,013 should not be limited in the latter part to wire whiskers which project from the collar in a manner resembling that which a rapidly moving object would depart therefrom. As you probably appreciate, that language is somewhat looser than if the word 'tangential' had been used.

"In the first place I doubt whether the abandoned application would support such a generic claim inasmuch as the whiskers are not projecting from the collar at an angle which would appear to be more than 45° from the radial. The abandoned application and application 627,013 would appear to support a claim wherein all of the elements of the generic claim of 627,013 were recited with the exception of

the above quoted language and if language were submitted which would recite that the wires projected from the collar at an angle from the radial. Such a claim would be truly generic and upon the record it would appear that Hall would be entitled to the same. As a matter of fact the generic claim as first written was substantially such a claim and it was only after it had been changed that the question as to whether the generic claim was supported by the abandoned application came into question.

"Therefore, regardless of the dispute between the parties, it would appear to me in order to protect the invention which was disclosed in the abandoned application that Hall should endeavor to secure such a claim. Furthermore, such a claim would be useful in protection against others and in this connection I have information that a scratcher will shortly be on the market which would be covered by such a claim and which would not be covered by the generic claim as it is now written and which, furthermore, would not be covered by any of the other claims which were handed to me in Pittsburgh.

"It is, therefore, my request as attorney for B & W, Inc., and writing at their request, that as attorney prosecuting said Hall application 627,013, which includes the disclosure of 388,891, that you endeavor to secure claims which would properly cover the disclosure in 388,891 and which would be as broad as could be obtained. It is our feeling that the claims which you apparently are endeavoring to secure and which bear upon 388,891 are not as broad as could be secured. It may well be that other claims have been allowed which would meet this situation. If so, I would be very pleased to receive information as to the same" (Exh. 119, R. 3523-3525).

Furthermore, Wright knew of the *Oil Weekly* advertisement that barred him from obtaining a valid patent had he prevailed in the interference because he had sug-

gested the publication in the Patent Office as a reference against Hall in his protests (Exh. 131) in February and July of 1949.

Finally, Wright perpetrated fraud on the Patent Office by involving his application Serial No. 777,640 (Exh. 70) in Interference No. 84411 (Exhibits 71 A, 71 B, 71 C and 71 D) because he falsely made oath in that application that he was the inventor and knew of no outstanding public use as well as filing a sworn statement in the interference to that effect. In petitioning the Patent Office to Institute Public Use Proceedings (Exhs. 135 and BO), he filed an affidavit irreconcilable with the preliminary statement (Exh. 182) filed in the interference and the oath filed in his application (Exh. 70) that sidewise bristle scratchers exemplified by Exh. FFFF were in commercial use in January of 1940 more than six years before the filing of application (Exh. 70) on October 3, 1947.

The charges of fraud against Hall and the public uses alleged against his invention are in the same category as the tactics used in Interference No. 84,411 for Wright knew of these alleged matters before he took assignment of the Hall applications under their agreement in 1944 in which he granted back to Hall an exclusive license. No mention was made by him of any fraud nor of the Kelly or Jones and Berdine uses later set up in the public use proceedings until such time as they served his purpose and that of defendant B & W, Inc., to delay issuance of the Hall patent. A more flagrant and pernicious example of bad faith and unfair dealing is difficult to conceive, to say nothing of the expense to which Hall was put over a period of five years in establishing his rights in the invention.

To comment upon the merit of defendants' charges and the justification Hall's Patent Office prosecution

gave them for their activities hereinbefore briefly outlined, it is sufficient to direct this Court's attention to the defendant's conduct up to the beginning of the year 1950 and what transpired thereafter.

As noted hereinbefore, it was on January 27, 1950, that Lyon & Lyon wrote Hall's counsel the epochal letter which establishes what their true viewpoints and sentiments were before the advent of Nu-Coil and before they had knowledge that Hall had been awarded claims by the Patent Office and before the feeling between the parties had completely disintegrated as developed later.

To schedule some of the inconsistencies developed between the subsequent evidence and the letter of January 27, 1950 (Exhibit 119, R. 3523-3525), may simplify their consideration and show the length to which Defendants went to delay issuance of the Hall patent in order that they could pirate his inventions.

(A) The failure of Jones and Berdine to disclose the merits of sidewise bristles and the rotatable mounting of the scratcher when making their report on tests of B & W wall cleaning guides is of significance and cannot be ignored (Exhibits 174 and X).

(B) The failure of the defendant Wright to disclose in a patent application and the failure of defendant B & W, Inc., to disclose in its literature and advertising the advantages of sidewise bristles with a rotatably mounted collar are omissions which speak with far greater credibility than the endless oral contentions which have been urged since the advent of the Nu-Coil scratcher and since the parties have been involved in litigation in the Patent Office and in the Courts (Exhs. 37, 38, 39, BB, CR).

(C) The failure of Wright to lay claim to the concept of using sidewise bristles on a rotatably mounted

scratcher until Hall was allowed claims thereon is revealing as to his right in the invention (Exhs. 70, 71 A-71 D).

(D) Wright's failure to inform and advise Hall sometime between September 15, 1944, when the agreement (Exh. 34) was signed and April, 1950, when Interference No. 84,411 (Exh. 71 A) was declared that the idea of rotatably mounting a scratcher having sidewise bristles was his invention and not Hall's is significant in establishing inventorship.

(E) Defendants' admission in the letter of January 27, 1950 (Exh. 119, R. 3523-3525), that the sidewise bristle concept was meritorious and belonged to Hall and that Hall was entitled to generic patent claims thereon refutes all subsequent claims by defendant that the invention originated with Wright (Exhs. 70, 71 A-71 D).

(F) Defendants' admission by the January 27, 1950, letter that the sidewise bristle concept was meritorious and belonged to Hall and that claims to an invention of a generic scope should be obtained by Hall contradicts all accusations of fraud made against Hall subsequent thereto. (Exhs. 132, 133, 134 and 135) R. 832-833.

(G) Defendants' admission in the January 27, 1950, letter that Hall's application Serial 388,891 (Exh. 1, R. 3385-3460) and Serial No. 627,013 (Exh. K) would appear to support generic claims reciting that the wires project from the collar at an angle from the radial refutes any contention now made that Serial No. 627,013 is not a continuation-in-part of Serial No. 388,891 (Exhs. 133, 134).

(H) Defendants' admission by letter of January 27, 1950, that Serial No. 388,891 and Serial No. 627,013 would appear to support generic claims that recite that wires project from the collar at an angle from the radial refutes

any contention now to the effect that Serial 627,013 was for a different invention (Exhs. 133 and 134).

(I) Defendants' admission in the letter of January 27, 1950, that Serial No. 388,891 and Serial No. 627,013 would appear to support generic claims that recite that the wires project from the collar at an angle from the radial refutes any contention later made that Serial 627,013 or Serial 55,619 were fraudulently filed (Exhs. 133 and 134).

(J) Defendants' admission by the letter of January 27, 1950, that Serial 388,891 and Serial No. 627,013 would appear to support generic claims that recite that the wires project from the collar at an angle from the radial supports plaintiff's contention that defendant B & W, Inc., pirated Hall's scratcher design by the manufacture and sale of Multiflex and Nu-Coil, both of which have non-radial bristles.

(K) Defendants' admission in the letter of January 27, 1950, that Serial No. 388,891 and Serial 627,013 would appear to support generic claims that recite that wires project from the collar at an angle from the radial refutes defendants' contention that there is no invention in a non-radial type bristle scratcher over the radial Wall Cleaning Guide.

(L) Defendants' admission in the letter of January 27, 1950, that the sidewise bristle concept was meritorious, belonged to Hall and that claims of generic scope should be obtained in Serial No. 627,013 does not lend credence to the charges subsequently made in this case that the allowance of considerably narrower claims numbered 23, 24 and 31 in Serial 55,619 were obtained fraudulently (Exhs. 133 and 134).

(M) Defendants' admission in the letter of January 27, 1950, that the sidewise bristle concept was meri-

torious, belonged to Hall and that claims of generic scope should be obtained in Serial 627,013 refutes the charges subsequently made in the case that the allowance of considerably narrower claims as recited in paragraph (N) above were obtained by fraud and that application Serial No. 55,619 was not a true continuation of Serial No. 627,013 and a continuation-in-part of Serial No. 388,891 (Exhs. 133 and 134). (See also R. 826, 831-833.)

THE CALIFORNIA LITIGATION.

While these proceedings were being carried on in the Patent Office, the California litigation also was being prosecuted. In January, 1950, depositions were taken in Washington, D. C., and Pittsburgh, Pennsylvania, of employees of Gulf Oil Company in Shreveport, Louisiana, of employees of Union Producing Company, in Jackson, Mississippi, of an employee of the California company to show misuse by defendants of the Wright method and apparatus patents.

Upon learning of defendants Nu-Coil scratcher in the early part of 1950 plaintiff Hall brought a motion to revise his pleadings which included a protest against defendants' appropriation of his design and a plea for cancellation of the 1944 Hall-Wright agreement (Exh. 34). His motion was granted on April 10, 1950, and a Supplemental Pleading to his Amended Complaint was filed which recited that claims had been allowed in his application for patent Serial 55,619 (Exh. 69) by the Board of Appeals; the manufacture and sale of Multiflex and Nu-Coil type scratchers were charged to breach the Hall-Wright agreement (Exh. 34) and cancellation or rescission of the agreement was requested. Defendants entered the market not only in the United States but in Venezuela, Mexico and Canada with their sidewise bristle scratchers, Multiflex and Nu-Coil, (Stipulation R. 3300) and to further harass Hall and plain-

tiff-interveners in the sale of the Hall type scratcher in the United States, defendants surreptitiously organized a corporation named Scratchers, Incorporated, acquired the Black and Stroebal patent No. 2,151,416 (Exh. 172) and brought three suits in Oklahoma and Texas against Hall's licensees and distributors. These suits were dismissed only after defendant B & W was drawn into the Oklahoma case as a party defendant (See Exhs. 143, 144 and 145, Findings XVI and XVII).

Following this activity on defendants' part, plaintiff Hall on March 30, 1951, brought a Motion for Summary Judgment in the California case requesting cancellation of the Hall-Wright agreement (Exh. 34, R. 3474-3480), that Hall's applications for patent assigned by the agreement be reassigned, that money paid in royalties by Hall be restored and that damages be assessed for breach of the agreement by the manufacture and sale of Multiflex and Nu-Coil scratchers. Although Defendants responded by a countermotion for Summary Judgment (R. 68-71) also requesting cancellation and the parties for a second time were in agreement that their contract should be cancelled, the trial court denied both motions on May 24, 1951, stating in his decision that the language of the agreement was uncertain as to the extent of the rights of the parties and this required that the contract be construed (R. 208-209).

To prove his case of damage, plaintiff Hall on July 10, 1951, moved the court for the production of defendant's purchase and sales records of Multiflex and Nu-Coil scratchers and at the same time defendants asked leave to file a Supplemental and Amended Answer to plaintiff's Supplemental Pleading. Plaintiff's motion was denied and defendants' motion was granted. In October, 1951, plaintiff renewed his motion for access to defendants' sales records and again his motion was denied.

In January, 1952, having received no relief from the Court and relying upon rights granted him under the 1944 agreement (Exh. 34) plaintiff Hall notified B & W customers who were purchasing Multiflex and Nu-Coil scratchers that a royalty of \$2.50 would be due and payable on purchases of these scratchers. Defendants were now immediately in court with an Order to Show Cause why a preliminary injunction should not issue against the circulation by plaintiff Hall of the royalty letter and plaintiff Hall simultaneously requested the court to enjoin defendants from placing notices on their scratchers that the purchase price included a royalty since their patents did not cover the devices nor the method employed in their use. The Injunction of January 26, 1952 (R. 209-212), was the result of these motions first enjoining the plaintiff Hall against sending the royalty letter and second against defendants for use of their royalty notices and requiring that both retract their actions by sending copies of the Injunction to recipients of the plaintiff's royalty letter and defendants' royalty notices.

Plaintiff Hall was again in court on July 7, 1952, with an Order to Show Cause why a temporary injunction should not issue restraining defendants from manufacturing and selling Multiflex and Nu-Coil Scratchers, showing also defendants' activities in the Patent Office to delay and prevent issuance of the Hall patent (R. 223-232). This order was summarily denied without explanation on September 18, 1952 (R. 232-233).

Further trial of the case began September 30, 1952, and on October 2, 1952, defendants filed an amendment to their counterclaims elaborating the charges of fraud and breach of contract against plaintiff Hall and included a request for cancellation and rescission of the contract. This pleading was answered by plaintiff on October 6, 1952,

The Hall patent No. 2,671,515 (Exh. 286) covering the sidewise bristle scratcher was finally issued by the

during the trial. The court ordered the case off the calendar on October 7, 1952, in order that all parties in interest be joined and a Second Amended Complaint (R. 234-251) to satisfy this requirement was filed January 2, 1953, which included plaintiff-interveners and additional defendants. Plaintiff-Interveners were licensees of plaintiff Hall or held properties used in the manufacture of tools sold by plaintiff-interveners (Exhs. 140, 141, 161, 162, 164 through 170, inclusive). Defendants' Answer and Counterclaim to the Second Amended Complaint was filed March 20, 1953 (R. 256-281), and plaintiff's Reply thereto on July 14, 1953 (R. 282-296).

A pretrial hearing was held September 28, 1953, and on October 23, 1953, plaintiff and plaintiff-interveners moved again for inspection of defendants' records of sales of Multiflex and Nu-Coil scratchers. Again the motion for access to these records was denied October 28, 1953.

By a Stipulated Partial Judgment dated November 9, 1953 (R. 303-308), the Hall-Wright agreement of 1944 (Exh. 34) was declared no contract and was cancelled as of its date of execution. Also, by this same stipulated judgment:

(a) Plaintiff and plaintiff-interveners were adjudged to have no interest or license in the three Wright patents No. 2,338,372 (Exh. 37), No. 2,374,317 (Exh. 38) and No. 2,392,352 (Exh. 39) nor in any other domestic or foreign patents granted to defendants.

(b) Defendants were adjudged to have no interest or license in the Hall applications Serial No. 388,891 (Exh. 1), Serial No. 528,183 (Exh. 2), Serial No. 627,013 (Exh. K) and Serial No. 55,619 (Exh. 69), now patent No. 2,671,515 (Exh. 286) nor any other domestic or foreign patents granted plaintiff or plaintiff-interveners.

(c) All causes of action in the Second Amended Complaint (R. 234), except that for unfair competition were dismissed.

By this same Stipulated Partial Judgment (R. 303-308), the Counterclaims of defendants for Declaratory Judgment and the Counterclaims for Anti-Trust Violation were dismissed with prejudice. The Counterclaim for Declaratory Judgment contained the following allegations:

(d) Paragraph F-3 (R. 269) relating to the abandonment of the Hall application Serial No. 627,013 (Exh. K) which defendants asserted had been fraudulently filed.

(e) Paragraph F-4 (R. 269) concerning the alleged fraudulent filing of Hall application Serial No. 55,619 (Exh. 69) as a continuation-in-part of Serial No. 388,891 (Exh. 1).

(f) Paragraph F-6 (R. 269) concerning the fraudulent filing of the Hall foreign patents and the assertion by plaintiff of said foreign patents.

(g) Paragraph F-7 (R. 270), the alleged fraudulent affidavits filed in the Patent Office to make the Hall application Serial No. 55,619 (Exh. 69) special.

(h) Paragraph G (R. 270) concerning the sending by plaintiff of the royalty letter demanding \$2.50 on sales of Multiflex and Nu-Coil and the assertion by plaintiff of claims allowed in Serial No. 55,619 (Exh. 69) knowing they were fraudulently obtained.

On November 17, 1953, the trial Court ordered plaintiff, plaintiff-intervenors and defendants to specify the charges of unfair competition upon which each would rely and particularize the proofs and exhibits that would be used to establish the charges and defendants, in addition, were instructed to specify their proofs as to infringement and plaintiff and plaintiff-intervenors the defenses they would rely upon (R. 309-315).

Patent Office on March 9, 1954, after 13 years of prosecution, stemming from an original and two subsequent continuing applications (Exhs. 1, K and 69). On March 17, 1954, after the trial had been completed and during the progress of the argument, defendants moved in open court and were granted leave to file a Supplemental Answer and Counterclaim (R. 326-330) praying that the validity of the Hall patent No. 2,671,515 be adjudicated (R. 3285-3287). Plaintiff and plaintiff-interveners' Reply (R. 321-322) was filed the following day and simultaneously an amendment was filed to the second Amended Complaint (R. 324-326) to include a cause of action charging defendants with infringement of the Hall patent.

The case was argued over a four-day period from March 16 through March 19, 1954, and the Trial Court's Decision was rendered September 17, 1954 (R. 333-345).

In the Original Decision no reference was made to a preliminary injunction, the Court stating on page 2 of the memorandum:

"This doctrine alone then should prompt denial of an equitable relief on both sides here. Moreover, the resort of both to self-help makes it clear that as far as any relief arising from unfair trade practices is concerned, the court should and will leave the parties as it finds them."

Defendants' proposed findings of fact, conclusions of law and judgment were filed October 11, 1954, and contained a proposed injunction, paragraph 12, which enjoined the parties from prosecuting pending actions or instituting new actions. Plaintiff and plaintiff-interveners objected to both the findings, conclusions and judgment and alternative additional findings and conclusions were filed by plaintiff and plaintiff-interveners on October 25, 1954 (R. 346-367).

On November 9, 1954, the clerk of the District Court addressed a letter to the attorneys of record for the respective parties enclosing a substitute page for page 15 of the court's memorandum decision. This substituted

page contained a new paragraph incorporating an injunction into the court's memorandum. It reads as follows:

"In order to preserve the status quo until the judgment shall become final, the injunction relating to communications to the trade issued January 26, 1952, pursuant to stipulation must remain in effect, and the parties be further enjoined from commencing any new action, or from prosecuting or taking any further proceedings in any pending action involving a claim or cause of action presented for adjudication in the case at bar. Both injunctions will continue in force *pendente lite* and, upon determination of this action by final judgment shall become *ipso facto* dissolved * * *."

The Court's Findings of Fact, Conclusion of Law and Judgment were filed November 15, 1954 (R. 368-396), and according to the above paragraph continued the Injunction of January 26, 1952 (R. 209), and ordered a second injunction differing in form from the injunction proposed by defendants.

Plaintiff and plaintiff-interveners appealed December 13, 1954, and defendants on December 14, 1954 (R. 397-399).

On February 3, 1955, plaintiff and plaintiff-interveners brought an alternative motion in this court to vacate, set aside, suspend or modify the Injunction *Pendente Lite* which was included in the Judgment (R. 391-396) and this motion was argued before the Circuit Court of Appeals on February 21, 1955. It is at present awaiting action by this court.

Plaintiff and Plaintiff-Interveners at this point by reference incorporate the argument on said Motion to vacate the Injunctions *Pendente Lite* set forth in their brief filed with this Court on February 3, 1955, and argued before this Court on February 21, 1955.

NOTE:—To summarize the facts and correlate them with the pleadings, there is included at this point in this Brief a schedule chronologically arranged, of the foregoing circumstances, pleadings and proceedings which it is believed will simplify an understanding of the salient facts in the case.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1944-1948

Jan. - June

July - Dec.

1944. Interferences pending in U.S. Patent Office between Wright "Method" patent and "Apparatus" application and Hall applications Ser. Nos. 388,891 and 528,183 (Exhs. 6 and 7, R. 2941).

Hall-Wright agreement of Sept. 15, 1944 (Exhs. 34 and 41) settled interferences (R. 2942).

1945. Parties worked amicably under Hall-Wright (R. 2942).

agreement throughout the year 1945.

Hall Ser. No. 627,013 filed Nov. 6, 1945, continuation of Ser. 388,891 (Exh. K, R. 2939).

1946. Hall's success with Gulf Oil in U.S., and large Venezuela orders, provoked Defendants to threaten Hall's customers on Wright patents (Exhs. 16, 17, 18, 19, 44, 55, 56).

Attempt made in August by Hall's attorney to adjust differences re Hall-Wright agreement, particularly with regard to crosslicense under Wright patents. (See Supplemental Agreement, Exh. 35, California Club Memo, Exh. 171, R. 2943).

1947. Defendants consider and reject revision of Hall-Wright agreement (Exh. 35, See also Exh. 23).

Defendants continue misuse of Wright patents. Suit filed in Los Angeles on Dec. 11, 1947, under Declaratory Judgment Statute, with Motion for Preliminary Injunction. Motion denied Dec. 22, 1947 (R. 19 and 24).

Defendants reproduce Hall scratcher for Gulf Oil Co. (Exhs. 88 and 88-A), but upon advise of counsel do not sell (Exhs. 64 and 64B).

Defendants adopt Hall's sidewise bristle principle by manufacture and sale of "Multiflex" scratcher (Exhs. 57, 224, 225, and Stipulation, R. 1211).

1948. Defendants by Answer and Counterclaim (R. 25-53):

(a) plead that the Hall-Wright agreement be cancelled.

Hall Ser. No. 55,619 (Exh. 69) filed Oct. 20, 1948, as a continuation of Ser. Nos. 388,891 and 627,013.

(b) and charge Hall with infringement of Wright patents.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1949-1950

Jan. - June

1949. Defendants protest to Patent Office to prevent issuance of Hall patent, Feb. 26, 1949 (Exh. 131).

Trial began May 25, 1949. Plaintiff agreed to counterclaim for cancellation. Defendants dismiss plea for cancellation with prejudice May 26, 1949, thereby waiving defenses dependent thereon (R. 56).

Plaintiff's Motion to amend complaint to adjudge whether "*Multiflex*" violate Hall-Wright agreement granted.

First Amended Complaint, Answer and Counterclaim, and Plaintiff's Reply filed.

Trial adjourned June 10, 1949.

July - Dec.

Further protest made to Patent Office to prevent issuance of Hall patent July 28, 1949 (Exh. 131).

Defendants brought out the second sidewise bristle "*Nu-Coil*" scratcher in the fall of 1949 (Exhs. 72, 226 and 227, R. 828, 856).

1950. Plaintiff's depositions to show misuse by Defendants of Wright patents (R. 524-605, 634-659, 659-671, 671-692, 698-719, 719-725).

Board of Appeals in Patent Office on Jan. 30, 1950 allow 3 claims to Hall in Ser. 55,619 (Exh. 69).

Wright makes 3 claims allowed to Hall in Wright application, Ser. No. 777,640, (Exh. 70), and Interference No. 84,411 (Exh. 71-A) declared Apr. 5, 1950.

Court grants Plaintiff's Motion to file Supplemental Pleading to First Amended Complaint, setting up "*Multiflex*" and "*NuCoil*" as breaches of Hall-Wright agreement and requesting cancellation or rescission Apr. 10, 1950.

Interference No. 84,411 between Hall and Wright dissolved by Patent Office Dec. 15, 1950, since Wright precluded from issuance of patent with Hall claims by Hall 1941 advertising (Exh. 71-B).

Scratchers, Inc. filed suits against Hall's licensee and distributors in Oklahoma City, Okla., Fort Worth, Texas and Houston, Texas (Exhs. 143, 144 and 145) for infringement of Black and Stroebel patent 2,151,416 (Exh. 172, Findings XVI and XVII).

Dismissed March 1951 when Defendant B & W joined as party-defendant in Oklahoma City suit.

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1951

Jan. - June

1951. On Mar. 13, 1951, Defendants reissued Wright Canadian patent 463,822 (Exh. Q₂) as Canadian Reissue patent 472,221 (Exh. Q₁).

Defendants advised Gulf Oil of the granting of the Reissue patent and sent a copy of the claims with the claims of their Canadian method patent on Apr. 3, 1951, (Exhs. 73, 73-A and 73-B).

Plaintiff's Motion for Summary Judgment to cancel Hall-Wright agreement, Mar. 30, 1951 (R. 57-67).

Defendants respond by Counter-motion for Summary Judgment to cancel Hall-Wright agreement, Apr. 6, 1951 (R. 68-71).

Suit was filed (Exh. N) by Plaintiff in Venezuela on Apr. 23, 1951 for infringement by Defendants of Plaintiff's Patent 3722 (Exh. O).

Both motions of Plaintiff and Defendants for Summary Judgment denied May 24, 1951 (R. 208-209).

In the Patent Office on Apr. 11, 1951 Wright petitioned the Commissioner of Patents for supervisory authority in Hall-Wright matter, and to strike Hall applications (Exh. 133). A second petition for supervisory authority was filed June 11, 1951 and Patent Office proceedings continued to prevent issuance of Hall patent.

On July 23, 1951 there was issued a Stop Order by Gulf Oil against purchases by their Canadian subsidiary of Hall-type scratchers (Exh. 81).

July - Dec.

Suit was brought on Aug. 15, 1951 (Exhs. 142, 142-A) in the Exchequer Court in Canada to impeach and cancel the Reissue Patent 472,221, (Exh. Q).

On July 16, 1951 Defendants' motion granted to file Supplemental and Amended Answer elaborating charges of fraud.

Plaintiff's Motion for Production of Sales Records of "Multiflex" and "NuCoil" denied July 16, 1951.

Plaintiff's Reply to Defendants' Supplemental and Amended Answer filed Sept. 10, 1951.

Pretrial hearing Oct. 15, 1951.

Plaintiff's renewed motion for production of sales records denied Oct. 29, 1951.

Proceedings continued unabated in Patent Office challenging Hall right to claims allowed by Board of Appeals and involved in Hall-Wright Interference (Exh. 285).

Controversy concluded in Hall's favor by Decision of Commissioner of Patents Dec. 12, 1951 (Exh. 71-D).

Defendants then petition the Patent Office for the Institution of Public Use Proceedings Dec. 14, 1951 (Exh. 135, BO).

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1953

Jan. - June

1953. Second Amended Complaint filed Jan. 2, 1953 for Declaratory Relief, Breach of Contract, Antitrust Violation, Unfair Competition (R. 234-251).

Answer and Counterclaim filed Mar. 20, 1953 (R. 251-281).

Testimony of Plaintiff and Defendants in Public Use Proceedings extended over period from January through June of 1953 (Exh. 285).

July - Dec.

Plaintiffs' Reply to Answer and Counterclaim, July 14, 1953 (R. 282-296).

Pretrial hearing Sept. 28, 1953.

Plaintiffs' renewed Motion for Inspection of Records of "Multiflex" and "NuCoil" sales, Oct. 23, 1953. Order denying motion Oct. 28, 1953 (R. 296-298).

Trial reconvened Nov. 3, 1953.

On Nov. 9, 1953 the parties stipulated a partial judgment (R. 303-308, Finding VI) declaring the Hall-Wright agreement (Exh. 34) never constituted a contract, and dismissing with prejudice:

- (a) all causes of action asserted against Roland Smith, Adams-Campbell, and California Spring Co., Inc.
- (b) all causes of action against Defendants except that for unfair competition
- (c) all causes of action against Plaintiffs and Plaintiff-Interveners included in:
 - 1)—Par. F-3—abandonment of Ser. 627,013 and fraudulent filing thereof
 - 2)—Par. F-4—fraudulent filing of Ser. 55,619.
 - 3)—Par. F-6—fraudulent filing of foreign patents by Hall and assertion thereof
 - 4)—Par. F-7—alleged fraudulent affidavits to make Ser. 55,619 "special" in Patent Office
 - 5)—Par. F-8—demanding royalty of \$2.50 and assertion of claims in Ser. 55,619 knowing they were fraudulently obtained.

Hearing in Public Use Proceeding Aug. 14, 1953 (Exh. 285).

Decisions of Patent Office in Public Use Proceedings, on Petition to Strike Hall Applications and Fraud, Dec. 2, 1953; Dec. 24, 1953; Dec. 29, 1953; and Jan. 13, 1954 (Exhs. 216 and 216-A).

Trial adjourned over Holidays Dec. 10, 1953

CHRONOLOGICAL SCHEDULE OF FACTS AND PLEADINGS. 1954-1955

1954. Trial reconvened Jan. 19, 1954, and was completed Feb. 4, 1954.

Hall patent 2,671,515 (Exh. 286) covering scratchers with sidewise bristle issued by the Patent Office Mar. 9, 1954.

On Mar. 15, 1954 suit filed in Kansas charging Defendants' distributor with infringement of Hall patent 2,671,515.

On Mar. 16, 1954 argument began in C. A. 7839 before District Court in Los Angeles.

On Mar. 17, 1954 during Argument, leave granted Defendants on Motion in open court to file Supplemental Answer and Counterclaim praying validity of Hall patent be adjudicated (R. 3283-3290, Findings XI, XII and XIII).

Plaintiff and Plaintiff-Interveners Reply charging Defendants with infringement of Hall patent filed following day, Mar. 18, 1954 (R. 3292-3293).

Argument completed Mar. 19, 1954.

1955. On Feb. 3, 1954, Plaintiff and Plaintiff-Interveners filed an Alternative Motion in the C. C. A. to vacate or modify the Injunction concerning prosecuting pending actions or instituting new actions.

The motion was briefed and argued before the C.C.A. Feb. 21, 1955.

Memorandum Opinion of District Court Sept. 17, 1954 as originally rendered contained no mention of a preliminary injunction.

On Oct. 11, 1954, pursuant to the District Court's instructions, Defendants filed Proposed Findings of Fact, Conclusions of Law and Judgment, which included an injunction against prosecuting pending actions and instituting new actions.

Objections to the Proposed Findings, Conclusions and Judgment, as well as Alternative and Additional Findings and Conclusions were filed by Plaintiff and Plaintiff-Interveners Oct. 25, 1954 (R. 346-367).

On Nov. 9, 1954 the Clerk of the District Court sent a substitute page 15 for the Court's Decision of Sept. 17, 1954 continuing the Injunction of Jan. 25, 1952 and issuing an injunction against prosecuting pending action and instituting new actions, both to continue *pendente lite* until final judgment.

Findings of Fact and Conclusions of Law and Judgment adopted by the District Court Nov. 15, 1954 included:

Paragraph 15 continuing the injunction of Jan. 25, 1952 *pendente lite* until final judgment, and Paragraph 16 an injunction against prosecution of pending actions and instituting new action also to continue *pendente lite* to final judgment (R. 391-396).

Plaintiff and Plaintiff-Interveners appealed Dec. 13, 1954 (R. 397-398).

Defendants appealed Dec. 14, 1954 (R. 398-399).

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Plaintiff and Plaintiff-Interveners appealed Dec. 13, 1954 (R. 397-398).

Defendants appealed Dec. 14, 1954 (R. 398-399).

QUESTIONS INVOLVED.

1. Was the District Court justified in dismissing the complaint of plaintiff and plaintiff-intervenors for unfair competition of defendants because of the alleged unclean hands on the part of plaintiff Hall?

2. Was the District Court justified in dismissing the complaint of plaintiff and plaintiff-intervenors for unfair competition because of the alleged unclean hands on the part of plaintiff-intervenors?

3. Was the District Court justified in finding that the techniques used by plaintiff and plaintiff-intervenors to obtain business constituted such self-help as to amount to unclean hands?

4. Was the District Court justified in finding that the filing and prosecution of litigation by plaintiff and plaintiff-intervenors constituted such self-help as would amount to unclean hands?

5. Was the District Court justified in finding that the \$2.50 letter was unfair, without cause and not in good faith?

6. Was the District Court justified in finding that the \$2.50 letter was a notice without cause by plaintiff-intervenors?

7. Was the District Court justified in finding that the Hall patent No. 2,671,515 was invalid as lacking invention over the state of the prior art and decreeing that said patent was invalid and void?

8. Was the District Court justified in continuing the preliminary injunction of January 26, 1952?

9. Was the District Court justified in ordering the preliminary injunction contained in paragraph 16 of its Judgment?

10. Was the District Court justified in denying plaintiff and plaintiff-intervenors the relief prayed for in this cause?

SPECIFICATION OF ERRORS.

The District Court erred in making the findings and issuing the Judgment in each of the following particulars:

I.

The District Court erred in dismissing the Second Amended Complaint of Plaintiff and Plaintiff-Intervenors for Unfair Competition (See paragraph 4 of the Judgment).

II.

The District Court erred in dismissing the amendment to the Second Amended Complaint (See paragraph 5 of the Judgment).

III.

The District Court erred in finding, concluding and decreeing that the Hall patent 2,671,515 granted March 9, 1954, is invalid and void as to each and every claim thereof (See Finding XXIII, Conclusion D and Judgment paragraph 8).

IV.

The District Court erred in continuing the Preliminary Injunction of January 26, 1952 (See paragraph 15 of the Judgment).

V.

The District Court erred in ordering the Injunction contained in paragraph 16 of the Judgment.

VI.

The District Court erred in not giving plaintiff and plaintiff-intervenors relief prayed for in their pleadings.

VII.

The District Court erred in finding that plaintiff Hall employed techniques to influence the placing of business "which techniques involved everything from veiled threats to adroit suggestions in an effort to make the larger oil producing companies feel more secure patent infringementwise if they would direct their business" to him (See Finding XXIV).

VIII.

The District Court erred in finding that plaintiff-intervenors employed techniques to influence the placing of business "which techniques involved everything from veiled threats to adroit suggestions in an effort to make the larger oil producing companies feel more secure patent infringementwise if they would direct their business" to them (See Finding XXIV).

IX.

The District Court erred in finding that the techniques referred to in VII and VIII above constituted such self-help as amounted to unclean hands (See findings, paragraph XXIV, XXVa, XXVI).

X.

The District Court erred in finding that the letter requesting \$2.50 royalty sent on behalf of plaintiff Hall was a notice given unfairly and without cause and not in good faith (See findings XVIII, XXIX and XX).

XI.

The District Court having found that plaintiff Hall believed himself to be the exclusive licensee (Finding IV) erred in finding that the \$2.50 royalty letter was un-

fair, without cause and not given in good faith (See X above).

XII.

The District Court erred in finding that the letter referred to in X above was a notice given by plaintiff-intervenors (See findings XVIII, XIX and XX).

XIII.

The District Court erred in finding that a royalty of \$2.50 assessed in plaintiff's royalty letter was not within the bounds of economic reason and that such letter notice was not given in good faith (See Finding XX).

XIV.

The District Court erred in finding that the sending of such letter (X above) was such self-help as to constitute unclean hands (See Findings XXVa and XXVI).

XV.

The District Court erred in finding that the suits and proceedings instituted in the United States and foreign courts by plaintiff and plaintiff-intervenors constituted such self-help as amounted to unclean hands (See Findings XXI, XXII, XXVa and XXVI).

XVI.

The District Court having found that the oppositions by defendants in the Patent Office to the grant of the Hall patent No. 2,671,515 constituted such self-help as amounted to unclean hands (See Findings XVI, XXV, XXVa and XXVI) erred in not awarding damages or an accounting with respect thereto.

XVII.

The District Court, having found that notices given by defendants of infringement of the Wright patents Nos. 2,338,372 and 2,374,317 were not as a preliminary to suit and not in good faith because these patents did not cover the accused methods and devices and were for the purpose of establishing a limited monopoly in the sale of scratchers not covered by said patents, erred in not enjoining the same awarding to plaintiff and plaintiff-intervenors damages and ordering an accounting (See Findings XIV, XV, XVa, XVb and XVc).

XVIII.

The District Court having found that the organization of Scratchers, Inc., and the bringing of actions by such corporations constituted self-help as amounted to unclean hands erred in not awarding damages to plaintiff and plaintiff-intervenors or an accounting with respect thereto (Findings XXIV, XXV, XXVa and XXVI).

XIX.

The District Court erred in finding that the plaintiff and plaintiff-intervenors came into this court of equity with unclean hands (See Finding XXVI).

XX.

The District Court erred in concluding that plaintiff and plaintiff-intervenors came into this court of equity with unclean hands and failed to maintain their hands clean and for that reason all relief should be denied to them (See Conclusion B).

XXI.

The District Court erred in concluding that the plaintiff and plaintiff-intervenors during the pendency of this action resorted to self-help and for that reason "any relief

arising from unfair trade practices" should be denied to them (Conclusion C).

XXII.

The District Court having found that the \$2.50 royalty letter constituted such self-help as amounted to unclean hands erred in not finding that the plaintiff Hall had purged himself of unclean hands if such inequity ever existed.

XXIII.

The District Court erred in not finding, not concluding and not decreeing that the Hall patent No. 2,671,515 and every claim thereof was valid and infringed by defendants.

XXIV.

The District Court erred in finding and concluding that the Hall patent 2,671,515 and all claims thereof were invalid as lacking invention over the state of the prior art in view of the absence of subsidiary findings to support such findings and conclusion (See Finding XXXII and Conclusion D).

XXV.

The District Court erred in giving judgment that the Hall patent No. 2,671,515 is invalid in the absence of subsidiary findings referred to in XXIV above.

XXVI.

The District Court erred in continuing the preliminary injunction of January 26, 1952, enjoining communications to the trade (See Judgment, paragraph 15).

XXVII.

The District Court erred in enjoining the commencing of any new action and prosecuting or taking further proceedings in pending actions involving any claim or cause of action presented to the court for adjudication in this case (See Judgment, paragraph 16).

ARGUMENT.

A. The District Court Erred in Finding Plaintiff Hall and Plaintiff-Interveners Guilty of Unclean Hands.

A-1. Domestic and Foreign Litigation.

Plaintiff Hall and plaintiff-interveners were not guilty of unclean hands in instituting and prosecuting the actions referred to in Findings XXI, XXIII and XXV.

The following analysis of the actions listed in Finding XXI will show the legality and regularity of the bringing of these actions and the fact that they were, when brought, unrelated to any issue presented to the Trial Court in this case except in a general way. They did not present issues then being tried in that Court and their adjudication would not in any way prejudice any judgment of the Court.

The actions brought by plaintiff-intervener Weatherford Oil Tool Co. against B & W, Inc., and Bruce Barkis were brought prior to the intervention of plaintiff-interveners on January 3, 1953, which intervention was made on instructions of the Trial Court.

Since January, 1949, plaintiff-intervener Weatherford Oil Tool Co. has operated as a licensee of plaintiff Hall in the manufacture and sale of scratchers in the United States and the sale of scratchers in foreign commerce through such companies as Hall Development Co. of Venezuela and Weatherford, Ltd. of Canada (Exhs. 105, 106, 158, 159, 161, 162 and QQ, R. 805-806). The activities of defendants were thus directed against this competition in the U. S. and in foreign countries (Exhs. 73, 73A, 73B, 74, 77, 78, 79, 81, 82, 83, 175, 175A, 175B, 175G,

175I, 176H, 176I, 177A, 177D, 177G, 178A, 178D, 178G, 179D, 179F, 180A, 180C, 180E, Stipulation, R. 3300). During all of this period since the filing of the original complaint on December 11th, 1947, no relief was obtained by any of the motions and petitions of Hall in this action to stop these unfair trade tactics found by the court to constitute unfair competition (See Findings XIV, XV, XVa, XVb, XVc, XVI, XVII, XXIV. Trial Court's Memorandum, page 5). To meet these threats charging infringement against Weatherford Oil Tool Co. and its customers, Weatherford Oil Tool Co. filed its action against B & W, Inc., and Bruce Barkis in the United States District Court, Southern District of Texas, Houston Division, C. A. No. 5168. This was dismissed and a similar action C. A. No. 6197 filed (See Findings XXI and XXII and Notice under Local Rule 35 filed by Defendants, R. 316, 318-319).

In these actions based upon the declaratory judgment statute and unfair competition, Weatherford Oil Tool Co. sought to have defendants' patents declared invalid and defendants enjoined from continuing its unfair and illegal practices. This it is to be remembered was all prior to the intervention of Weatherford Oil Tool Co. in this litigation. No charge of inequitable conduct or unclean hands therefore has any basis in these proceedings.

A-2. Canadian Litigation.

In order to bolster their threats and to make Canadian customers of plaintiff-intervener Weatherford, Ltd., "feel more secure patentwise" if they would direct their business to Defendants instead of Weatherford, Ltd., defendants devised a scheme to intimidate oil companies drilling in Canada. Defendant Wright had obtained on March 21, 1950, a Canadian patent No. 463,822

(Exh. Q2). This patent was based on a United States application Serial No. 369,389 upon which was issued U. S. Letters Patent No. 2,374,317 (Exh. 38). The Claims of the Canadian patent were directed to a scratcher with radially extending fingers or wires. This corresponded to the construction of the B & W wall cleaning guide (compare drawing of the patent Exhibit 2 with Exhs. 42 and 104). It did not correspond to the Hall Scratcher (compare Exh. 40 and drawings in Hall patents No. 2,671,515, Exh. 286). Recognizing the insufficiency of their Canadian patent to cover the Hall type scratcher or its use in cementing walls, defendants obtained on March 13, 1951, a reissue of their patent No. 472,221 (Exh. Q1). As soon as defendants learned of the grant by the Canadian Patent Office of the claims in the reissue application, they immediately notified Gulf Oil Co., who through its subsidiary, the Canadian Gulf Co., had important drilling operations in Canada and was Weatherford Ltd.'s best customer. That this was a "veiled threat" and an "adroit suggestion" in an effort to make Gulf "feel more secure patent infringementwise" if it would direct its business to B & W is abundantly evidenced by what occurred (Finding XXIV).

On April 3, 1951, defendant Wright wrote to Houghton, patent counsel for Gulf, enclosing the claims of the Canadian reissue patent (Exh. Q1) with a significant illusion to the ability of defendant B & W to supply the needs of Canadian Gulf in the Dominion (Exh. 73).

Gulf Oil understood the significance of this letter as shown by the opinion rendered by Houghton on May 28, 1951 (Exh. 76), and the consequent decision of Gulf Oil on July 23, 1951, to purchase only B & W scratchers for use in Canada (See Exh. 81).

Because of this loss of sales plaintiff Hall was damaged since he received income from royalties paid on account of sales made in Canada by Weatherford, Ltd. (See Exh. 140).

On August 15, 1951, Hall Development Co. of Venezuela not then a party to this action but now one of the plaintiff-interveners filed a claim in the Exchequer Court of Canada under the Canadian Patent Impeachment Statute to have the Wright reissue patent No. 472,221 (Exh. Q1) declared invalid and revoked (See Exh. Q).

Plaintiff Hall applied to the District Court on February 8, 1952, for modification of the injunction of January 25, 1952, and for an order spelling out the prohibition of said injunction which would reach these notifications by B & W to Canadian Gulf and require defendants to state to Gulf Oil that plaintiff's rights under the Canadian Wright patents were at issue in the present case and that their notification to Gulf was to be disregarded (R. 213, 218-219).

At the same time plaintiff Hall filed a motion in the instant case for summary judgment to declare that the agreement of September 15, 1944 (Exh. 34), extends to the Canadian reissue patent No. 472,221 (Exh. Q1) and enjoining defendants from making any communication to others alleging that the license does not so extend (R. 213-221).

The motion for modification of the preliminary injunction was denied on February 18, 1952, and the motion for summary judgment was denied on April 24, 1952 (R. 222).

Subsequently on August 5, 1952, plaintiff Hall who had reacquired his Canadian patents from Hall Development Co. of Venezuela (Exhs. 137 and 139) was joined as a party

plaintiff in the Canadian action No. 53,422 which had been filed in the Exchequer Court of Canada (Exhs. 142 and 142a).

It should be noted that in this Canadian case the grounds advanced for invalidity of the Canadian reissue patent were that the original Wright Canadian patent was " * * * not defective or inoperable by reason of insufficient description or specification, and by reason of the patentee claiming less than he had a right to claim as new * * * "; and, that prior to the filing of the petition for reissue, defendant Wright had become aware of the sale of scratchers invented by plaintiff Hall and their use in Canada and had improperly claimed as his property a material part of the invention made by Hall. Petitioner Wright alleged in his petition for reissue that Wright was the inventor of the additional subject matter presented in the reissue, when in fact Hall was the inventor of such subject matter (See Exh. 142, paragraphs 7 and 10).

The claim of prior invention which is an issue in the Canadian case was raised as a *defense* in the present litigation (See Notice filed October 27, 1953, under U.S. Code, Title 35, Section 282, R. 298).

Furthermore, the Canadian action is at issue and except for such discovery proofs as may be found necessary to plaintiff's case in the Canadian action, the case awaits a date of setting for trial by the Canadian Court.

The unfair tactics of defendants of which the Canadian situation described above is but one was before the trial court by reason of the above motion for preliminary injunction and summary judgment filed February 8, 1952. It was before the lower court by reason of the allegations in the first amended complaint and also in paragraphs VII(1) and (2) and VIII(1), XIV and XV of the

second amended complaint and by evidence introduced at the trial.

A-3. The Action in Mexico.

This was an administrative action in the Mexican Patent Office to set aside a decision of the Commissioner of Patents finding that the Hall Mexican patent No. 47,661 lacked novelty (See Finding XXI and defendants' notice under local Rule 35, R. 316, 318).

A-4. Kansas Litigation.

The suit in Kansas was styled *Jesse E. Hall v. J. L. Robinson d/b/a Robinson Oil Field Specialty*. It was brought for infringement of the Hall patent No. 2,671,515 (Exh. 286) which patent is also involved in this case (See Findings XI, XII, XIII). The suit was brought on account of an infringement occurring in Kansas by the defendants who were citizens of Kansas and not parties to this action.

A-5. Venezuelan Suits.

Two actions were actively prosecuted in Venezuela to prevent the sale of Multiflex and Nucoil Scratchers by defendant B & W and its distributor Vacuum Truck Service. As Finding XXI indicates, an injunction was sought in the State of Anzoátegui against Vacuum Truck Service and a patent suit was filed in Caracas by plaintiff Hall against defendants for infringement of the Hall Venezuelan patent No. 3722. In neither of these cases would the California court have had jurisdiction, nor were the issues such that they could have been determined in California (See Exhibits M, N, O, P, defendants' statement under Local Rule 35, pages 6 and 7 and Finding XXI).

A-6. Recapitulation Anent Litigation.

To recapitulate, it will be noted that the actions brought in Houston, Texas, were filed by Weatherford Oil Tool Co. before it became a party to this action and were defensive in that they were directed to preventing the continuance of unfair tactics of defendants herein. The actions brought by plaintiff and plaintiff-interveners in Canada, Mexico and Venezuela could in no way affect the litigation prosecuted in the California Court. The Venezuelan actions were for violations of rights in which the Trial Court had no jurisdiction to redress nor was the right under Venezuelan law to enjoin sales of scratchers an issue which was in any way involved in this action. The determination of whether or not the Hall Mexican patent was to be annulled by the Mexican Patent Office and the Canadian action to impeach Wright's Canadian reissue patent were entirely unrelated to any issue involved in the California case. Manifestly, there is no identity of issues, nor do the issues depend upon the same questions of law.

The determination of the issues in one jurisdiction will not in any practical sense determine the issues in another jurisdiction. In such circumstances, there is no multiplicity of suits and in the absence of any finding or showing of fraud or oppression or any showing which would justify the interposition of a court to prevent wrong or injustice, the bringing of these actions is not against accepted equitable principles. *Mutual Life Ins. Co. v. Bruni's Assignees*, 96 U.S. 588, 593, 24 L. Ed. 737. *Kleine v. Burke Construction Co.*, 260 U.S. 226, 230; *New York Life Insurance Co. v. Stoner*, 92 F. 2d 845, 848 (C.C.A. 8, 1937); *Armour & Co. v. Haugen*, 95 F. 2d 196, 200 (C.C.A. 8, 1938); *Equitable Life Assurance Society v. West*, 102 F. 2d 10, 14 (C.C.A. 8, 1939).

We again call attention to the absence of any findings that the prosecution of these actions will (a) interfere with the progress of this litigation; (b) interfere with the establishment of the rights in issue in this litigation; (c) subject the defendants to fraud, gross wrong or oppression; (d) cause irreparable injury to defendants; (e) subject defendants to great hardship, inconvenience or expense; (f) result in an unfair or unconscionable or inequitable advantage to plaintiff or plaintiff-interveners, either under the law or the facts; (g) be unduly annoying, vexatious or harassing to defendants or (h) be contrary to equity or good conscience (see 43 C.J.S., pp. 499-500).

A-7. Plaintiff and Plaintiff-Interveners Had a Legal Right to Bring and Prosecute These Lawsuits.

Having this legal right to bring and prosecute these actions no charge of unclean hands may be predicated on the mere fact that these suits were brought or prosecuted particularly in the absence of any evidence of any wrongful motive in bringing these actions. As was stated in *Complete Service Bureau v. San Diego Medical Society*, 43 Cal. 2d 201, 217, 272 P. 2d 497 (quoted in the Appendix). *Johnson Laboratories, Inc., v. Meissner Mfg. Co.*, 98 F. 2d 937, at 948. *Kryptok Co. v. Stead*, 190 F. 767, 39 LRA NS 1 (quoted in Appendix). *Zephyr American Corp. v. Bates Mfg. Co.*, 59 F. Supp. 573, at 575 (quoted in Appendix).

The motive which impels a plaintiff to bring an action is not important "so long as the litigant has a legal and moral right upon which to bring suit." *Leo Feist v. Young*, 138 F. 2d 972, at 974 (C.C.A. 7). See also *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540, at 545, 46 L.Ed. 679 (quoted in Appendix).

There is no basis in the evidence in this case for any finding of a wrong motive in bringing these lawsuits, and in

fact no such finding has been made. That the above suits were "tried to the trade" as found by the court even if so tried, although this is denied, is not sufficient for a finding of unclean hands. There is simply no evidence that any untruthful or any unfair statements were made by plaintiff or plaintiff-interveners to the trade or in fact any statements, advertisements, publicity or any propaganda issued by them respecting these lawsuits in this country or in any of the countries in which lawsuits were filed. The finding that the lawsuits were "tried to the trade" whatever that ambiguous term may mean and that they were instituted to serve "as a basis for sales propaganda" is simply not supported by any evidence. Furthermore publicity about lawsuits does not constitute unfair tactics or unfair competition so long as it is truthful, but certainly where no such publicity is sought, the fact that a lawsuit will give somebody a competitive advantage where the lawsuit is legally and morally justified can be no basis for any charge of unclean hands.

In the absence of evidence that these actions were brought in bad faith, good faith must be presumed and such presumption is not overcome except by evidence of bad faith. *Celotex Co. v. Insulite Co.*, 39 F. 2d 213, 218 (D.C. Minn., 1930).

Flynn & Emrich Co. v. Federal Trade Commission,
52 F. 2d 836, 838 (C.C.A. 4, 1931).

California Code of Civil Procedure, Sec. 1963 (19).

The findings of the Trial Court are insufficient to support any charge of unclean hands arising from the bringing of these actions, since there are no findings that these actions were brought in bad faith and the absence of such finding is equivalent to a finding for plaintiff and plaintiff-interveners as to that fact. In *Heuser v. Federal Trade Commission*, 4 F. 2d 632, 634 (C.C.A. 7, 1925), the Court said:

“It is well settled that a finding of fact in order to sustain a plaintiff’s cause of action, must contain all the facts necessary to a recovery, and the failure to find any material fact charged is equivalent to a finding against the plaintiff for the defendant as to that fact. The findings of the respondent are not sufficient to sustain the order complained of.”

B. Plaintiff Hall Is Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter.

B-1. Plaintiff Hall in Sending the \$2.50 Royalty Letter Referred to in Findings XVIII, XIX and XX Was Acting in Good Faith and in the Exercise of a Right He Then Believed Himself to Possess.

In fact the Trial Court in Finding IV found that “Plaintiff Jesse E. Hall throughout the period of this litigation and prior to the stipulation of November 9, 1953, claimed in the United States an exclusive license in and to the invention covered by United States Letters Patent No. 2,671,515 * * * .”

The letters were sent on behalf of plaintiff Hall in January, 1952, Hall believing himself to be the exclusive licensee and asserting his exclusive right in the Multiflex and Nu-Coil scratchers then being manufactured and sold by defendant B & W, Inc. The sending of the letters was in good faith and in exercise of a legal right which plaintiff believed had vested in him by the agreement (Exh. 34).

B-2. An Offer of a License Is Not a Threat of Suit for infringement.

The letter is no more than an offer of a license under Hall’s exclusive right and did not constitute a threat of suit for infringement.

Alamo Refining Co. v. Shell Development Co., 99 F. Supp. 790, at 795 (quotation in Appendix) (See also *Leo*

Feist v. Young, 139 F. 2d 972, 975-976 (C.C.A. 7) (quoted in Appendix)).

B-3. The Offer of a License Contained in the Letter Cannot from the Evidence Be Found to Be in Bad Faith or Sent with an Improper Motive.

The fact that Hall finally concluded that he was mistaken in his belief as to the contract (Exh. 34) and entered into the stipulation of November 9, 1953 (R. 303-308), cannot be made the basis of a charge of inequitable conduct which implies a lack of good faith in view of Finding IV. Whatever may be said of the legal basis of his claim of exclusive license in view of this stipulation, his conduct must be taken, particularly in view of the court's finding to be based on an honest belief and not out of a wrongful motive and this does not constitute unclean hands. *Harlan v. Willard*, 52 Cal. App. 194, at 198, 198 P. 424 (quotation in Appendix).

B-4. As an Exclusive Licensee, Plaintiff Hall on Issuance of His Patent Would Have the Right to Bring an Action for Infringement Against Defendant B & W and Its Customers.

Independent Wireless Tel. Co. v. Radio Corp. of America, 269 U.S. 459, 469.

Breden v. Solomon, (C.C.D. of Md.) 145 F. 944.

Breden et al. v. National Met. Co., (C.C.W.D. of Pa.) 182 F. 654, 660.

National Metal Co. v. Breden, (3rd Cir.) 186 F. 491, 493.

Paul E. Hawkinson Co. et al. v. Arnell et al., (3rd Cir.) 112 F. 2d 398.

B-5. Having the Right to Sue for Infringement, Plaintiff Hall Also Had the Right by Contract to Waive That Right by Granting a License.

DeForest Co. v. U. S., 273 U.S. 236, 241.

- B-6. Such a License Could Have Been Granted Before a Patent Issued and Would Have Been Valid Even Though a Patent Later Was Denied.**

York v. Strommen, 105 Cal. App. 2d 586, 234 P. 2d 134.

Cook Packing Co. v. V. H. Parker & Sons, 89 W. Va. 7, 109 S.E. 744.

Keystone Type Foundry Co. v. Fastpress Co., (2nd Cir.) 272 F. 242.

St. Louis Street F. M. Co. v. Sanitary Sheet F. M. Co., 178 F. 923.

- B-7. The \$2.50 Royalty Letters Were Signed by and Were Sent with the Advice of Hall's Attorney and Therefore Cannot Be Made the Basis of a Charge of Unclean Hands.**

There is no justification in the evidence for Finding XIX that the notices were given to the trade unfairly, without cause and without intent that such notices serve as a preliminary to suit. In *Celotex v. Insulite Co.*, 39 F. 2d 213, 218-219 (D.C. Dist. of Minn., 4th Division), the Court said:

“Advice of counsel may not always be a complete defense to a charge of bad faith, but when one honestly believes he has a patent which is being infringed, and that belief is substantiated by advice of reputable and learned counsel, whose good faith in giving it is not in dispute, and when the warnings or circulars sent to the trade are prepared by such counsel and sent out with his sanction and upon his assurance of a legal right to send them, and when such counsel has been instructed to bring suit, it is doubtful whether a finding that the person who sent them acted in bad faith in so doing could be sustained.”

(See also *Russo v. Thompson*, 294 Mass. 4, 200 N.E. 570, 573 (quotation in Appendix).)

The statement in Finding XIX that "there is no justification in the evidence * * * that the notices were given * * * without intent that such notices serve as a preliminary to suit" is untrue and contrary to the facts since Hall immediately upon issuance of his patent brought suit in Kansas against J. L. Robinson, a distributor for defendant B & W of Multiflex and Nucoil Scratchers.

B-8. Nor Is There Justification in the Evidence for Finding XX That a \$2.50 Royalty Would Not Be Within the Bounds of Economic Reason.

If plaintiff Hall in offering to grant licenses was proceeding in the belief that he was within his legal rights, the royalty demanded even though it appeared in the extra-judicial opinion of the trial court "not to be within the bounds of economic reason" does not make such offer inequitable on the part of plaintiff Hall. Thus, for example, the harshness of the terms of a contract of a license does not of itself make the contract lacking mutuality or in consideration. *Meurer Steel Barrel Co. v. Martin*, 1 F. 2d 687 (C.C.A. 3); *Cook Pottery Co. v. V. H. Parker & Sons*, 89 W.Va. 7, 109 S.E. 744, 747.

We say that this Finding is not supported by any evidence and constitutes the "extra-judicial opinion of the trial court" because there is no evidence in this record of any kind, either by way of factual evidence or opinion evidence, directed to showing that the requested royalty was not within bounds of economic reason or was so grossly unreasonable as to be evidence of bad faith as it is characterized by the trial court.

In view of the state of the record, the conclusion of the trial court unless it could take judicial notice of what royalty was "within the bounds of economic reason" must be merely his extra-judicial opinion and could not be in

any way support for this finding. As was said in *Standley v. Knapp*, 113 Calif. App. 91, at 95, 298 Pac. 109, abstracting from Ruling Case Law, *infra*:

“And therefore individual and extrajudicial knowledge on the part of a judge will not dispense with proof of facts not judicially cognizable and cannot be resorted to for purposes of supplementing the record.”

See also Ruling Case Law, Vol. 15, p. 1057, and California Code of Civil Procedure, Sec. 1875 (quotation and authorities in Appendix).

Concededly the Court may take judicial notice of facts of common knowledge, provided that these facts have been authoritatively settled.

Weitzenkorn v. Lesser, 40 Cal. 2d 778, 256 P. 2d 947.

Takahashi v. Fish & Game Comm., 30 Cal. 2d 719 at 732, 185 P. 2d 805.

Communist Party v. Peek, 30 Cal. 2d 536, at 546, 127 P. 2d 889.

Elford v. Hiltabrand, 63 Cal. App. 2d 65, at 72, 146 P. 2d 510.

Varcoe v. Lee, 180 Cal. 338, pp. 345 and 346, 181 P. 223 (quoted in Appendix).

A court may not take judicial notice of the value of a property right although it may take judicial notice of facts of common knowledge which are authoritatively settled and which affect the value of a property right.

Ohio Bell Telephone Co. v. Quality Public Utilities, 301 U.S. 292, 81 L. Ed. 1093.

Also, where there is any doubt, it must be resolved against taking judicial notice.

Varcoe v. Lee, *supra*.

Weitzenkorn v. Lesser, *supra*.

Cowchella Farms, Inc., v. Martin, 219 Cal. 1, 25 P. 2d 435.

Elford v. Hiltabrand, *supra*.

Thus, the Court may not take judicial notice of the rental value of real property.

31 C. J. S. 703, Note 96.

Illinois Co. v. Coffman, (Ind. App.) 188 N.E. 217, at 219 (quoted in Appendix).

The Federal courts in California follow this law. *Hagen v. Potter*, 156 F. 2d 362, at 365 (C.C.A. 9th) (Quoted in Appendix).

Thus, in the absence of any testimony or documentary evidence and in view of the law prohibiting judicial notice of such facts Finding XX is clearly erroneous.

B-9. Plaintiff Hall Has Purged Himself of Any Evidence of Unclean Hands.

If the sending of the \$2.50 royalty letter by counsel on behalf of plaintiff Hall is evidence of unclean hands, plaintiff has purged himself of any wrong by promptly on instructions of the trial court by circulating the injunction of January 26, 1952 (R. 209-212), to those to whom the original letters were sent.

B. B. Chemical Co. v. Ellis, 314 U.S. 495, at 498, 86 L. Ed. 367.

Sylvania v. Visking Corp., 132 F. 2d 947 (C.C.A. Va.).

Universal Sewer Pipe Corp. v. General Const. Co., 42 F. Supp. 152.

Novadel-Agene Corp. v. Penn, 109 F. 2d 756 (C.C.A. 5th) 119 F. 2d 756.

Eastern Venetian Blind Co. v. Acme Steel Co., 188 F. 2d 247, at 254 (C.C.A. 4th).

Metals Disintegrating Co. v. Reynolds Metal Co., 107 F. Supp. 105.

C. Justification for Sending the \$2.50 Royalty Letter Was the Trial Court's Continued Refusal to Give Relief.

Plaintiff and plaintiff-interveners were justified in their actions since plaintiff Hall failed in his repeated efforts to obtain relief from the Trial Court for the activities of defendants found by the court to constitute unfair competition and inequitable conduct. In the absence of such relief, plaintiff and plaintiff-interveners had the right to resort to legally permissible self-help in mitigation of damages suffered as a result of defendants' inequitable conduct. As is stated in "Restatement of Torts," Vol. 4, Sec. 950, pp. 766-767:

"The measure of self help here contemplated as alternatives to injunction embrace any form of self-protective action which, without intervention of courts, police or other agencies of the government, may enable the victim of the tort to prevent, mitigate or repair the harm. In some situations such action may be of a character which would normally be unlawful but which, under the circumstances, is privileged * * * ."

An examination of the proceedings in the Trial Court will reveal that plaintiff appealed to the trial court repeatedly for help and relief against defendants' unfair tactics but only once was relief forthcoming and then of minor consequence. That was obtained after defendants' motion to enjoin plaintiff Hall from sending the \$2.50 royalty letter. By the injunction issued by the trial court on January 26, 1952, the court also enjoined defendants against affixing royalty notices to the scratchers they were offering the trade since their patents did not cover the devices or the method recommended for their use.

C-1. Schedule of Petitions to Trial Court.

Efforts of plaintiff Hall seeking the aid of the Trial Court on different occasions during the pendency of this litigation are scheduled below:

- 12-11-47 Plaintiff's order to show cause re preliminary injunction (R. 19-23).
- 1-19-48 Denial of Order to Show Cause (R. 24).
- 5-25-49 Court's order permitting defendants to dismiss counterclaim for cancellation of Hall-Wright's agreement after plaintiff acquiesced thereto in open court (R. 56).
- 3-30-51 Plaintiff's motion for summary judgment to cancel Hall-Wright agreement (R. 57).

Attached to motion:

Material facts admitted (R. 58-65).
Scofield Affidavit (R. 66-67).

- 4-6-51 Defendants' response to plaintiff's motion for summary judgment and counter-motion for summary judgment for cancellation of Hall-Wright agreement (R. 68-71).
- 5-24-51 Order denying both plaintiff and defendants' motions for summary judgment (R. 208-209).
- 1-26-52 Injunction re \$2.50 royalty letter and defendants' royalty notices (R. 209-212).
- 2-8-52 Plaintiff's motion for summary judgment resulting from defendants' activities in Canada (R. 213-221).
- 4-24-52 Order denying motion (R. 222-223).
- 7-9-52 Plaintiff's order to show cause why temporary injunction should not issue against defendants enjoining them from manufacturing Multiflex and Nu-Coil (R. 223-224).
- Scofield affidavit attached (R. 224-232).
- 9-18-52 Denial of Show Cause order (R. 232-233).

The bringing of these legal actions criticized by the Trial Court and the sending of the offer of license set forth in paragraphs A-1 to A-5 and B, *supra*, were not unlawful and were a self-protective action which in the absence of relief from the Court plaintiff was entitled legitimately to pursue.

D. Plaintiffs-Interveners Are Not Chargeable with the Actions of Plaintiff Hall.

It is to be noted that except for the bringing of the actions referred to in Finding XXI by two of plaintiff-interveners, prior to their intervention herein, there is no evidence that plaintiff-interveners were actors in, approved of, or ratified any of the actions referred to in Findings XVIII, XIX, XXI, XXIV, XXV and XXVa.

In order to charge unfair competition or unclean hands on the part of plaintiff-interveners because of any conduct on the part of plaintiff Hall, it must be shown that Hall had authority from plaintiff-interveners to act as an agent for them in this regard, or at least that Hall undertook to act for plaintiff-interveners with their knowledge and consent. There is no evidence in this record that plaintiff Hall was so authorized or that plaintiff-interveners gave such consent. In *Derman v. Stor-Aid*, 141 F. 2d 580, 584 (C.C.A. 2d), the Court said:

“ * * * The companies were not liable merely because Derman was their president, and in general control of them; the plaintiffs were bound at least to prove that he undertook to act for them.”

See also *Alamo Refining Co. v. Shell Dev. Co.*, 84 F. Supp. 325, at 329; *Alamo Refining Co. v. Shell Dev. Co.*, 99 F. Supp. 790, at 794.

E. Hall Patent Prosecution and How the Patent Was Brought into This Case.

Three years prior to the settlement agreement made between plaintiff Hall and defendant Wright on September 15, 1944, Exhibit 34 referred to hereinbefore, Hall had filed an application for patent identified in the Patent Office by Serial No. 388,891, and here as Exhibit 1, covering his sidewise bristle scratcher exemplified by Physical Exhibit 40. The novel features of the device were the side-wise bristles extending from a collar or support which was rotatably mounted upon the exterior of the casing. Prosecution of this and two continuing applications, Serial No. 627,013, Exhibit K and Serial No. 55,619, Exhibit 69, the latter issued as letters patent No. 2,671,515, Exhibit 285, on March 9, 1954, was conducted by Hall under the settlement contract, Exhibit 34.

The Patent Office prosecution of these cases extended over a period of thirteen years during which they were subjected to the closest scrutiny imaginable by the tribunals of the Patent Office and were involved in almost every known adversary proceeding including protests to the examining personnel with which were supplied prior art references questioning patentability, interferences in which Hall's inventorship was contested, motions to strike charging fraud in the filing and prosecution of the applications and public use proceedings denying Hall's right to patent the invention, discussed hereinbefore (R. 3634-3638).

The decision of the Board of Appeals in the Patent Office, dated January 30, 1950, forming a part of Exhibit 69, allowing claims to Hall covering his sidewise bristle scratcher put an end to the protests and objections as to patentability of the invention over the prior art.

The decision of the Commissioner of Patents dated December 12th, Exhibit 71D, terminated the interference proceedings and ended any and all claims which defendant Wright contended he had in the Hall invention.

Decisions of the Commissioner of Patents and the Primary Examiner, dated December 2, 1953, Exhibit 216 (R. 3544-3581) and the decisions denying reconsideration dated December 21, 1953, and January 13, 1954, Exhibit 216A (R. 3582-3585), effectively disposed of the fraud charges and Public Use Proceedings brought against the Hall applications.

The manner in which the Hall patent was brought into this case has been mentioned. After trial and during the argument, defendants' counsel made a motion orally in open court under rules 13(c) and 13(d) of the F.R.C.P. to file a Supplemental Counterclaim for Declaratory Judgment requesting adjudication of the validity of the Hall Patent No. 2,671,515. The motion was granted and a Supplemental Answer and Counterclaim (R. 326-330) was filed at 2 P. M. of the same day. By stipulation of the parties plaintiff and plaintiff-interveners were permitted to file a Supplemental Complaint (R. 324-326) in lieu of a Reply to the Counterclaim and it was agreed that the Supplemental Answer and Counterclaim would be deemed to be an Answer to the Supplemental Complaint (R. 3283-3293).

Defendants' counsel then orally requested that the Trial Court enjoin the prosecution of the Kansas action pending the outcome of this case before the lower court, but plaintiffs' counsel offered to suspend proceedings in Kansas until the Trial Court's decision on the question of validity of the Hall patent provided there was prompt consideration of that issue (R. 3294-3298).

The Hall patent, therefore, comes before this tribunal with statutory presumption of validity unimpaired. There

is a strong presumption of the presence of invention over the prior art which is reinforced by the fact that the administrative tribunals of the patent office considered the same prior art now before this Court over a prolonged period of prosecution and during extended proceedings. Without explanation or ado the Trial Court evidently basing its findings upon the same art, struck down the Hall patent with the simple comment that it "is invalid over the state of the prior art." (Finding XXXII).

F. The Invention of the Hall Patent.

In the field of oil well cementing Hall has been an innovator. As early as 1935 he originated the idea of cleaning the well bore in order to obtain a better bond between the well wall and the cement column (R. 807, 3122-3128, 3253-3265, 3210-3223 and Exh. 272A). The first tool he devised to accomplish this purpose was the spiral centralizer which he mounted upon the casing in the region to be cemented and it cleaned the well bore upon reciprocation of the casing (R. 813). The device was patented as No. 2,220,237, Exhibit 151 in evidence, and its disclosure describes the technique which later was adopted as standard practice by oil producers using abrading devices of any type (R. 808).

"The rotary mud collects on the wall of the well bore and during the drilling operation may assist in preventing caving of the well bore and the entrance of unwanted fluid to the well. However, when a casing is to be cemented in the well, the coating of slime or mud on the well wall prevents the cement from directly engaging and bonding with the earth formation and is often the cause of faulty and unsuccessful cementing operations" (Exhibit 151, page 1, col. 1, ll. 15-24).

The patent also specified that the cleaning of the well bore be done where the cement was to be placed.

“Another object of this invention is to provide a well bore cleaner adapted to be applied to the casing that is to be cemented in a well and that is operable to completely remove the mud from the wall of the well bore at the zone where the casing is to be cemented, whereby the cement may directly engage and unite with the virgin earth formation” (Exhibit 151, page 1, Col. 1, ll. 30-37).

The cleaning operation performed by the early tool was accomplished by flexible blades or scrapers instead of the flexible wires of the scratcher which was developed later (R. 809).

“When the cleaners reach the portion of the well that is to receive the cement, the casing C may be manipulated to cause the flexible members 11 to scrape the mud away from the wall of the bore. In practice the casing C may be reciprocated or may be reciprocated and rotated so the leading edges 20 of the members 11 effectively scrape away the layer of mud on the wall of the bore. During the upward movement of the casing C and during turning movement of the casing C in the proper direction the leading edges 20 of the members 11 are particularly effective in scraping away the mud from the wall of the bore. The back twist of the members 11 is such that material thus scraped from the wall of the bore is directed inwardly on the broad surfaces of the members to be carried away by the water or circulating fluid” (Exhibit 151, page 3, Col. 1, l. 67 to Col. 2, l. 9).

Finding that the spiral centralizer worked satisfactorily except where indentations or key seats occurred in the well wall, he proceeded to experiment with wire abrading tools which would reach in and remove mud accumulations from such pockets or cavities (R. 817).

The problem was not the designing of a tool which would abrade or brush the mud from the well wall because pipe cleaners of various types were well known; but to devise a tool which would perform this cleaning operation and reverse within the narrow annulus in which it was obliged to work without destruction of the abrading wires was a very different matter. The sidewise bristles all angularly disposed in one direction and the rotatably mounted support or collar was the solution to the problem (R. 464, 476-477). This design relieved the bending stress upon the wires at the top and bottom of the stroke during reciprocation of the casing (R. 1215, 1338). The intermittent partial rotation of the collar at the extremities of the stroke not only facilitated reversal of the wires within the annulus, but moved the wire ends circumferentially upon the well wall surface, assuring better coverage and distribution of the abraded area (R. 1216, 3138-3140, 3142-3145). Obviously, too, the scratcher life was prolonged and a more efficient well cleaning job resulted (R. 1215-1217). In fact, radial bristle scratchers were relatively inoperable in a tight hole since they become ineffective by rolling up or bending off and on occasions causing complete failures by sticking the pipe or casing in the well bore.

This Court gave the following test of invention in *Pointer v. Six Wheel Corp.*, 177 F. 2d 153 (C. C. A. 9th), cert. den.

“Test of invention which has been found very useful and generally followed is that adverted to by Mr. Chief Justice Taft in the case just referred to—namely, the discovery of the source of the difficulty and the application of a remedy not thought of before” (citing cases).

The degree of angular disposition of the abrading wires of the Hall Scratcher is not as important as the fact

that they are inclined, since on entering the well they are bent in the direction of their original inclination. The invention is not the mere angular disposition of the bristles extending from a rotatable support or collar but the discovery that such device solved a serious problem in oil well cementing and supplied an important aid to cementing operations.

Eible Process Co. v. Minnesota & Ontario Paper Co., 261 U.S. 45, 46, 67 L. Ed. 523.

McKee et al. v. Graton, 87 F. 2d 262.

Dewey & Almy Chemical Co. v. Mimex Co., 124 F. 2d 986, at 989.

The question asked by this Court in *Pointer v. Six Wheel Corp.*, *supra*, which established invention must likewise here be answered in the affirmative. There the court said: "The question is: Did anyone before think of making them in this manner in order to achieve the particular result—a new function? *If not, there is invention*" (emphasis by the court).

The commercial history of the Hall device vis-a-vis the prior art also meets the test of invention applied by this court in *Leishman v. General Motors Corp.*, 191 F. 2d 522, at 531 (C.C.A. 9):

"Appellant presses upon us the applicability of the test of invention applied by this court in *Pointer v. Six Wheel Corp.*, 9 Cir., 177 F. 2d 153. The four elements there enumerated for special consideration were: 1. The length of time the art, though needing the invention, went without it; 2. The number of those who sought to meet the need; and the period over which their efforts were spread; 3. How many, if any, come upon it at about the same time, whether before or after; and 4. Perhaps most important of all, the extent to which it superseded what had gone before."

The evidence establishes that the Hall scratcher invention satisfied each of these four requirements, particularly the last since his design and structure has been adopted by his competitors and has superceded all prior devices (Exhibit 280A, R. 3611).

G. Defendants Asserted the Hall Invention Patentable Not Anticipated by the Prior Art and Entitled to Generic Claims (Exhibit 119).

The prior art relied upon by defendants has all been considered by the Patent Office as is shown on the back page of the Patent Exhibit 286, where there is listed under the heading "References cited in the file of this patent" what had been used against the invention during its protracted prosecution.

The growth and magnitude of the sales of both the Hall type scratcher and the simulated Hall type exemplified by defendants' Multiflex and Nucoil are confirming criteria of the presence of invention in the Hall device (Finding XXVII, Exhibits 280A and 280B).

The defendants recognized the invention was Hall's property, a fact conclusively established by the letter written by defendants' counsel Lyon & Lyon to plaintiffs' counsel on January 27, 1950, quoted from hereinbefore. By that letter Hall was not only credited with the invention, but was admonished to obtain the broadest possible protection by diligent prosecution of his patent application covering this improvement (Exhibit 119, R. 3523-3525).

The most assuring recommendation that the inventor Hall could possibly receive that his device satisfactorily met the demands for which it was intended would be the adoption of his construction by his only competitor the defendant B & W, Inc. This strangely enough is what occurred for by the fall of 1947, B & W were manufactur-

ing and selling the Multiflex Scratcher and by the spring of 1950 had copied Hall's device outright in the form of its Nucoil scratcher (R. 828, 856 and 1211).

H. Defendants' Multiflex and Nucoil Scratchers Infringe the Hall Patent.

In lieu of proofs that Multiflex and Nucoil infringed the Hall patent claims and since the trial had been completed when the patent was drawn into the case, the lower Court permitted plaintiffs' counsel during his argument to apply the claims of the patent to the infringing structures, Exhibit 57, Multiflex and Exhibit 72 Nucoil (R. 3299-3300). It was pointed out during the argument that in the case of both Multiflex and Nucoil, the structure of each device read directly upon the combination of elements of the three claims of the patent. Both scratchers have a support which is rotatably mounted on the casing, stiff wire whiskers each flexibly attached at one end to the support or collar and projecting from a point on the periphery of the support at an angular inclination having sidewise direction with respect to the radius of the support and all in the same angular relation with the support. Also the free ends were of a length to frictionally contact the well wall and abrade its surface. All of these requirements were completely satisfied by the structural features of the two defendants' scratchers, Exhibits 57 Multiflex and Exhibit 72 Nucoil. Finally it was stipulated (R. 3300) that these two devices were being manufactured and sold by defendants; that the Multiflex was offered to the trade in the fall of 1947 and continuously since that time (R. 1211) and that the Nucoil scratcher was offered in the fall of 1949 and continuously since (R. 828, 856), so the charge of infringement would appear to have been adequately proved. These stipulations together with the stipulation (R. 3145) that the Nucoil operated the same in the demon-

stration device appear to confirm that operatively the devices give the same results.

I. The Trial Court's Finding That the Hall Patent Lacked Invention Is Not Supported by the Evidence and This Court Is Not Bound by Such Finding.

Finding XXXII of lack of invention in the Hall patent is insufficient to support a conclusion that the Hall patent is invalid. The Supreme Court has stated the criteria for the sufficiency of a finding of fact:

"The pertinent findings of fact are but the most general conclusions of ultimate fact. It is impossible to tell from them upon what underlying facts the court relied and whether the proper statutory standards were observed. If it were not rendered unnecessary by the broad view we take of this case, we would be inclined to reverse and remand to the District Court for the purpose of making adequate findings."

Schneiderman v. U. S., 320 U.S. 118, rehearing denied 320 U.S. 807.

The practice in this circuit is stated by Judge Yankwich in *Brooks Bros. v. Brooks Clothing of California*, 5 F.R.D. 14, at 16. See also *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353, at 356 (C.C.A. 9th); *Waiialua Agr. Co., Ltd., v. Moneja et al.*, 178 F. 2d 603, at 608 (quotations in Appendix).

We recognize the rule followed by this court that a finding on the question of invention is a finding of fact and in the ordinary case is not disturbed if supported by substantial evidence and not clearly erroneous.

See *Lane-Wells Co. v. M. O. Johnston Oil Fields Serv. Corp.*, 181 F. 2d 707, 710 and cases there cited.

The rule as stated by the Honorable Court is not determinative in the present case for the same reason that it

was not determinative in the Lane-Wells case since when there are no subsidiary findings to support the ultimate findings on the question of invention, this court may review the evidence to determine whether the patented device involves invention over the prior art. In the *Lane-Wells* case the subsidiary findings raised a doubt that the device involved invention and it appeared that the trial court resolved the doubt in favor of the patent by applying the presumption of law as to validity. The appellate court reviewed the record and the findings and came to conclusion that the ultimate finding of the presence of invention was erroneous. In the instant case the total absence of subsidiary findings leaves the ultimate finding of fact in this case no more solidly supported than in the Lane-Wells case.

J. This Court May Decide the Issue of Validity Without Remanding.

We are not suggesting that this court consider this case *de novo* and make new findings of fact but only that it consider the evidence to determine whether the findings of fact of lack of invention are "clearly erroneous." *Hycon Mfg. Co. v. H. Koch & Sons, supra*.

An appellate court may disregard the lack of specific findings if the record is so clear that it does not need their aid. In *Hurwitz v. Hurwitz*, 136 F. 2d 796, 78 U.S. App. D.C. 766, it was said at 799:

"The duty of the trial court to make findings of fact should be strictly followed, but such findings are not a jurisdictional requirement of appeal which this court may not waive. Our purpose is to aid the appellate courts in reviewing the decision below. In cases where the record is so clear that the court does not need the aid of findings, it may waive such a defect on the ground that the error is not substantial in the particular case. That is the situation here."

See also *Urbain & Loxit v. Knapp Bros.*, 217 F. 2d 810 (C.C.A. 6, 1954) and cases cited.

In the instant case this Court may pass on the facts as to the presence of invention as well as the Trial Court since the prior art is documentary. See *Equitable Life Assurance Society of the United States v. Irelan*, 123 F. 2d 462, at 464 (C.C.A. 9, 1941) (quotation in Appendix). *McComb v. Utica Knitting Co.*, 164 F. 2d 670, at 674 (C.C.A. 2); *J. S. Tyne Chemist, Inc., v. Thyme Borine Laboratory*, 151 F. 2d 621, at 624.

CONCLUSION.

Wherefore, plaintiff and plaintiff-intervenors submit that the court below erred:

1) In finding the Hall patent 2,671,515 invalid for want of invention;

2) In not giving plaintiff and plaintiff-intervenors the relief prayed for in their interlocutory proceedings during the pendency of this action;

3) In finding that the filing and prosecution of legal actions in the United States and foreign countries constituted such self help as amounted to unclean hands;

4) In adjudging that the \$2.50 royalty letter sent by plaintiff Hall constituted such inequitable conduct as to justify the denial by the court of relief from defendants' unfair tactics;

5) In ordering the injunctions contained in paragraphs 15 and 16 of the judgment.

Respectfully submitted,

THOMAS E. SCOFIELD,
PHILIP SUBKOW,

*Counsel to Plaintiff and Plaintiff-
Intervenors-Appellants.*

IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Intervenors-Appellants,

VS.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

APPENDIX TO APPELLANTS' BRIEF.
QUOTATIONS FROM DECISIONS CITED IN BRIEF.

THOMAS E. SCOFIELD,
PHILIP SUBKOW,

*Counsel to Plaintiff and Plaintiff-
Intervenors-Appellants.*

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INDEX

Defendants Are Guilty of Unfair Competition and Unclean Hands (Brief p. 13)	1
A-7. Plaintiff and Plaintiff-Intervenors Had a Legal Right to Bring and Prosecute These Lawsuits (Brief page 54)	2
B. Plaintiff Hall Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter (Brief page 56)	4
B-2. An Offer of a License Is Not a Threat of Suit for Infringement (Brief page 56)	4
B-3. The Offer of a License Contained in the Letter Cannot from the Evidence Be Found to Be in Bad Faith or Sent with an Im- proper Motive (Brief page 57)	6
B-7 The \$2.50 Royalty Letters Were Signed by and Were Sent with the Advice of Hall's At- torney and Therefore Cannot Be the Basis of a Charge of Unclean Hands (Brief page 58)	6
B-8. No Justification for Outlawing \$2.50 Roy- alty As Not Within the Bounds of Eco- nomic Reason (Brief page 59)	7
I. The Trial Court's Finding That the Hall Patent Lacked Invention Is Not Supported by the Evi- dence and This Court Is Bound by Such Finding (Brief p. 73)	9
J. This Court May Decide the Issue of Validity Without Remanding (Brief p. 74)	11

TABLE OF CASES

Alamo Refining Co. v. Shell Development Co., 99 F. Supp. 790, 795	4
Brooks Bros. v. Brooks Clothing, 5 F. R. D. 14, 16	9
Carter Oil Co. v. McQuigg, 7 Cir., 112 F. 2d 275, 279	11

Circle S. Products Co. v. Powell Products, 174 F. 2d 562 (C.C.A. 7)	1
Coahella Farms, Inc., v. Martin, 219 Calif. 1, 25 P. 2d 435	9
Communist Party v. Peek, 30 Cal. 2d 536, 546, 127 P. 2d 889	9
Complete Service Bureau v. San Diego Medical Society, 43 Cal. 2d 201, 217, 272 P. 2d 497	2
Connally v. Union Sewer Pipe Co., 184 U.S. 540, 545, 22 Sup. Ct. 431, 46 L. Ed. 679	4
Elford v. Hiltabrand, 63 Calif. App. 2d 65, 156 P. 2d 510	9
Equitable Life Assurance Society of the United States v. Frelan, 123 F. 2d 462, 464 (C.C.A. 9, 1941)	11
Grove Laboratories v. Brewer & Co., 1 Cir., 103 F. 2d 175, 178	11
Hagen v. Porter, 156 F. 2d 362, 365	7
Harlan v. Willard, 52 Calif. App. 194, 198, 198 P. 424	6
Hycon Mfg. Co. v. H. Koch & Sons, 219 F. 2d 353 (C.C.A. 9, 1955)	10
Illinois Co. v. Coffman, (Ind. App.) 188 N.E. 217, 219	8
Kryptok Co. v. Stead, 190 F. 767, 769-770, 39 L.R.A. N.S. 1 (C.C.A. 8)	2
Kycoga Land Co. v. Kentucky River Coal Corp., 6 Cir., 110 F. 2d 894, 896	11
Leo Feist v. Young, 138 F. 2d 972, 974 (C.C.A. 7)	4, 5
McComb v. Utica Knitting Co., 164 F. 2d 670, 674 (C.C.A. 2d)	12
Metro-Goldwyn Mayer v. Fear, 104 F. 2d 892 (C.C.A. 9)	1
Nashua Mfg. Co. v. Berenzweig, 7 Cir., 39 F. 2d 896, 897	11
Ohio Bell Telephone Co. v. Quality Public Utilities, 301 U.S. 292, 81 L. Ed. 1093	9
Paraffine Companies v. McEverlast, Inc., 9 Cir., 84 F. 2d 335, 339	11
Rown v. Brake Testing Equipment Corp., 9 Cir., 38 F. 2d 220, 223	11
Russo v. Thompson, 294 Mass. 4, 200 N.E. 570, 573	6

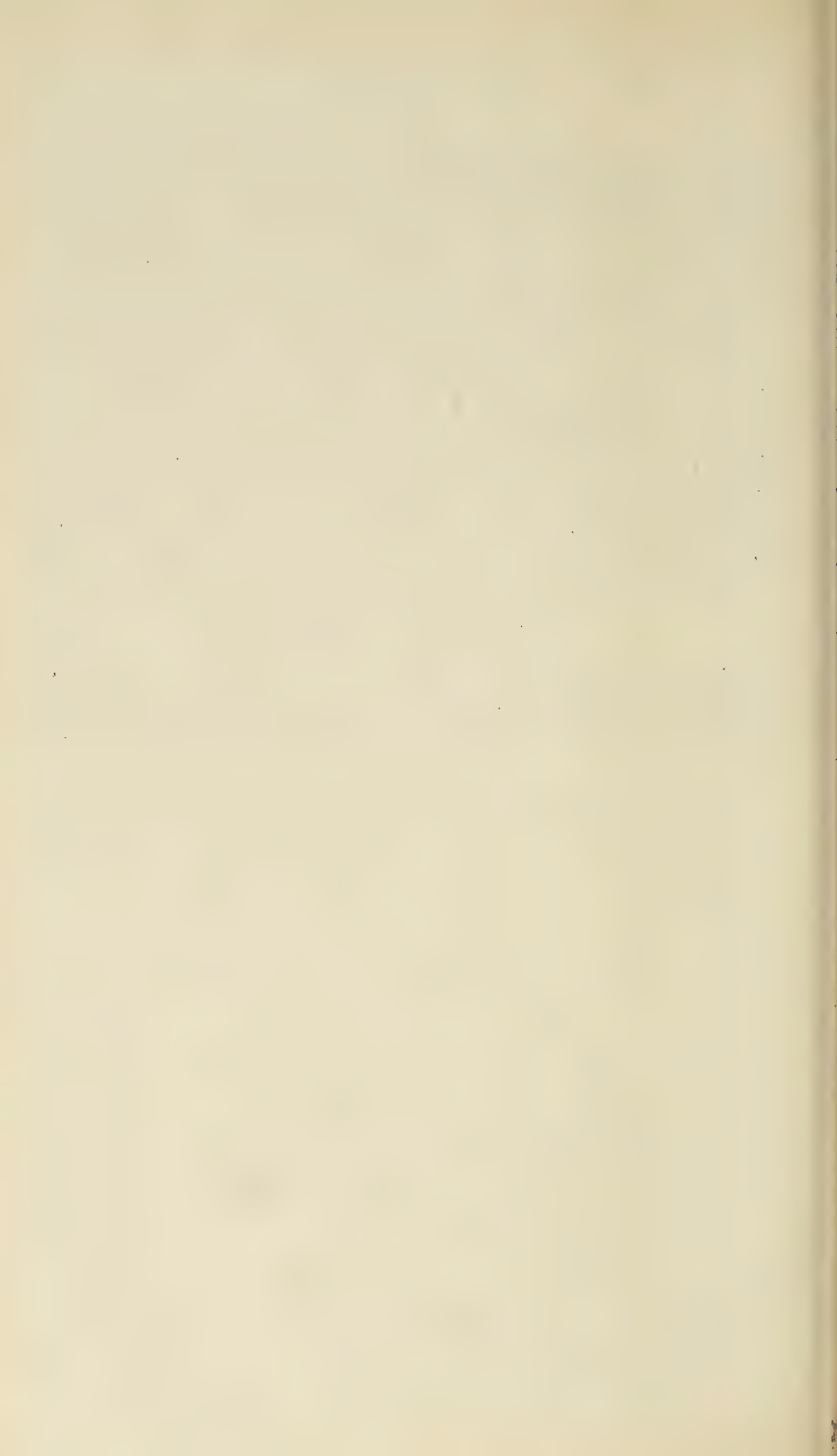
INDEX

III

Stewart v. Ganey, 5 Cir., 116 F. 2d 1010, 1012, 1013	11
State Farm Mut. Auto Ins. Co. v. Bonacci, 8 Cir., 111 F. 2d 412, 413, 415	11
J. S. Tyne Chemist, Inc., v. Thymo Borine Laboratory, 151 F. 2d 621, 624	12
United States v. Booth-Kelly Co., 9 Cir., 203 F. 423, 429; Id., 237 U.S. 481, 35 S. Ct. 659, 59 L. Ed. 1058	11
United States v. Corporation of President, etc., 10 Cir., 101 F. 2d 156, 160	11
Varcoe v. Lee, 180 C. 338, pp. 345, 346, 181 P. 223	8, 9
Waiialua Agr. Co., Ltd., v. Maneja et al., 178 F. 2d 603, 608 (C.C.A. 9)	10
Weitzenkorn v. Lesser, 40 Cal. 2d 778, 256 P. 2d 947 ...	9

STATUTE AND TEXTBOOK

California Code, Section 1875	7
O'Brien, Manual of Appellate Procedure (1941), p. 191 et seq., pp. 111-114	11



APPENDIX TO BRIEF.

DEFENDANTS ARE GUILTY OF UNFAIR COMPETITION AND UNCLEAN HANDS (Brief p. 13).

Circle S Products Co. v. Powell Products, 174 F. 2d 562 (C.C.A. 7).

Metro-Goldwyn-Mayer v. Fear, 104 F. 2d 892 (C.C.A. 9).

In the latter case this court said:

“* * * The sending of the letters to appellant’s customers is admitted in the answer. It is clear that the sending of these letters by appellee was improper and that appellee was not entitled to take such action in order to protect its rights under its patent No. 1,891,225. The patent was introduced in evidence and covers a machine designed to be used for the processing of exposed film. It does not cover nor claim the developed film as invention. The sale or use of the products of the machine (the film) by the customers of appellant would not constitute an infringement of the machine patent. * * * This was conceded in the court below. Consequently, appellee had no legal justification for sending such notices or threats to appellant’s customers even though it be assumed that he was correct in his contention that appellant was going beyond the scope of this license and infringing the patent by its use of the machines. *American Ball Co. v. Federal Cartridge Corp.*, 8 Cir., 70 F. 2d 579. It is clear, then, that the conduct of appellee was without legal right. It is also clear that there was a reasonable probability that damage would result from such conduct. Under such circumstances, the appellant was entitled to an injunction. *American Ball Co. v. Federal Cartridge Co.*, *supra*. The fact that appellee discontinued sending the letters and consented to a temporary injunction at the trial was not sufficient ground for refusing the injunction. See

Clark Thread Co. v. William Clark Co., 55 N. J. Eq. 658, 37 A. 599; *Id.*, 56 N. J. Eq. 789, 40 A. 686; *Pacific Mut. Tel. Co. v. Chicago, etc., Bridge Co.*, 36 Kan. 118, 12 P. 560. Compare *William H. Keller, Inc., v. Chicago Pneumatic Tool Co.*, 7 Cir., 298 F. 52."

A-7. Plaintiff and Plaintiff-Intervenors Had a Legal Right to Bring and Prosecute These Lawsuits (Brief page 54).

"The trial court's finding was to the effect that both the cross-complainant and cross defendant are engaged in substantially the same practices, and it has been held that these activities are legal. The question of unclean hands is not in this case in any substantial sense." *Complete Service Bureau v. San Diego Medical Society*, 43 Cal. 2d 201, at 217, 272 P. 2d 497.

In *Kryptok Co. v. Stead*, 190 F. 767, 769-770, 39 L.R.A. N.S. 1 (C.C.A. 8), the Court said:

"The Stead Company by its petition based its application for this injunction upon two grounds, upon the proposition of law that in this suit against it Kryptok Company could procure all the relief it was entitled to obtain for the infringement of its patents by the Stead Company and by Haussman & Co. and the other customers of Stead Company who bought the infringing article of it at wholesale and sold it at retail, and upon the averment of the fact that the Kryptok Company had brought the suit against Hausman & Co. and threatened to bring like suits against three other customers of the Stead Company, and had notified and were notifying its customers that they were infringing its patents, and had threatened and were threatening its customers with like suits for infringement, not for the purpose of protecting and enforcing its rights under its patents, but for the sole purpose of vexing and annoying the Stead Company, which was morally bound to defend the suits against its customers, and of maliciously injuring its business. The proposition of law which the Stead Company relied upon was an error of law.

There was no denial that the patents were issued and from their issue the legal presumption arose that they were valid. While infringement was denied, the legal right to sue and to prosecute suits for infringement to a hearing must be admitted in the consideration of this injunction, because thus only could that issue ever be tried or determined. Kryptok Company therefore had the legal right to sue Haussman & Co. and every other purchaser and retailer from Stead Company of the infringing lenses, and if it proved their infringement it had the right to an injunction forbidding each of them from selling or using any of the lenses, and to a recovery of the gains and profits each of them had made by purchasing and selling them, and to the damages it had sustained by their infringement. It is always difficult to prove the gains and profits an infringer obtains, and the damages suffered by the owner of a patent from the sales of the infringing article are equally difficult to prove, so that the most valuable relief to which he is entitled in equity is the injunction against further infringement. Such an injunction against the retailers Kryptok Company could not secure in its suit against Stead Company. It might in that suit recover the gains and profits Stead Company had acquired by its manufacture and sale to its customers of the infringing lenses and the damage Stead Company had inflicted thereby, but it could not in that suit recover the gains and profits the purchasers from Stead Company had made nor the damages their infringements had inflicted. The owner of a patent cannot recover, in a suit against a manufacturer of an infringing article which he sells to retailers, the full relief to which he is entitled in suits against the retailers, and a decree for an injunction and damages against a manufacturer is no bar to suits against those who purchase from the manufacturer and use or sell to others. *Birdsell v. Shaliol*, 112 U.S. 485, 488, 5 Sup. Ct. 244, 28 L. Ed. 768. The proposition of law, therefore, on which the petition for this injunction is based must fall."

Leo Feist v. Young, 138 F. 2d 972, 974 (C.C.A. 7); *Connally v. Union Sewer Pipe Co.*, 184 U.S. 540, 545, 22 Sup. Ct. 431, 46 L. Ed. 679, in which the court quotes with approval from *Short v. National Harrow Co.*, 51 F. 819, as follows: •

“* * * The party having such a patent has a right to bring suit on it, not only against a manufacturer who infringes, but against dealers and users of the patented article, if he believes the patent is being infringed, and the motive which prompts him to sue is not open to judicial inquiry, because, having a legal right to sue, it is immaterial whether his motives are good or bad and he is not required to give reasons for the attempt to assert his legal rights. ‘The exercise of the legal right cannot be affected by the motive which controls it.’ *Kaff v. Youman*, 86 N. Y. 329.”

B. Plaintiff Hall Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter (Brief page 56).

B-2. An Offer of a License Is Not a Threat of Suit for Infringement (Brief page 56).

In *Alamo Refining Co. v. Shell Development Co.*, 99 F. Supp. 790, at 795, the Court said:

“The allegations in the latest complaint boil down to nothing more than that the licensing agents offered a license to plaintiff and urged it to pay a specified royalty.

“No case has been cited and I have found none where it has been held the offer of a license by a patentee or his agent gives rise to a justifiable controversy, absent a charge of infringement or a threat of suit. Here, seven years have elapsed since the Recommendation 41 Agreement became effective whereby defendants pooled their patents at the Government’s suggestion, and there is no record of any suit brought by defendants against any one for in-

fringement of any of the pooled patents in this field. The only allegation which even squints at controversy is a sentence which avers one of the agents represented that two of the patents of Standard were among 'the more basic patents in fluid catalytic cracking.' The record plainly shows this to have been selling talk by the licensing agents. There is no statement as to infringement—no threat.

"I think a strong public policy should exist to permit the unrestricted offering of a patent license. The owner of a patent is fettered if the mere offer of a license, without an accompanying charge of infringement or threat of suit, would expose the patentee to a declaratory judgment action. The offer of a license does not have the character of a charge of threat."

In *Leo Feist v. Young*, 138 F. 2d 972, at 974 (C.C.A. 7), the Court said:

"Although he cited the well-settled rule that the motive which impels a litigant to seek the court's assistance is not important so long as the litigant has a legal and moral right upon which to use, *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540, 22 S.Ct. 431, 46 L. Ed. 679, the trial judge found something objectionable in the fact that the prime objective of plaintiff's action was to enable ASCAP to force the defendant in Wisconsin to sign a license agreement with ASCAP so as to maintain the respect for rights given by the copyright law. We see nothing objectionable in such motive, for it is the only way in which the copyright owner's rights could be protected. It has long been the policy of the federal courts to encourage adjustment of controversies arising under the copyright statute without obligation, and a license agreement is a fitting method of adjustment. Consequently, calling to the attention of an infringer the fact that he is unlawfully appropriating its property and that unless he desists or obtains proper authorization for its use suit will be instituted, is permissible."

B-3. The Offer of a License Contained in the Letter Cannot from the Evidence Be Found to Be in Bad Faith or Sent with an Improper Motive (Brief page 57).

In *Harlan v. Willard*, 52 Calif. App. 194, 198, 198 P. 424, the court said:

“Appellants cite a number of cases to the point of their contention, to wit, that where a party has been guilty of an attempt to consummate a fraud, he will not be heard in a court of equity in any matter concerning the same subject where he seeks relief favorable to himself. Without taking up these cases for the purpose of particular analysis, it may be conceded that they all hold in agreement with a sound doctrine of equitable practice. The distinction important to be drawn between these cases and this is that here, as the evidence showed and the court found, the plaintiff in filing the petition for letters of administration and her application for a family allowance, based upon the claim that she was the widow of Willard, did so without the intent to defraud the estate, or the heirs, of anything. The excuse perhaps showed no legal justification, but even though that be true, the lack of a fraudulent purpose to get something to which she was not legally entitled takes the case without the rule as insisted for by appellant.”

B-7. The \$2.50 Royalty Letters Were Signed by and Were Sent with the Advice of Hall's Attorney and Therefore Cannot Be the Basis of a Charge of Unclean Hands (Brief page 58).

In *Russo v. Thompson*, 294 Mass. 4, 200 N. E. 570, 573:

“* * * He had a right to publish the ‘warning’ in good faith, under the advice of his attorney and for the protection of what he believed to be his patent rights. *Aronson v. Orlov*, 228 Mass. 1, 11, 116 N. E. 951; *Virtue v. Creamery Package Mfg. Co.*, 227 U.S. 8, 33 S. Ct. 202, 57 L. Ed. 393; *Helphi Co. v. Silver Co.*, (D.C.) 274 F. 653, Affd. (C.C.A.) 278 F. 613; *Alliance*

Securities Co. v. DeVilbis Mfg. Co., (C.C.A.) 41 F. 2d 668; *Flynn & Emrich Co. v. Federal Trade Commission*, (C.C.A.) 52 F. 2d 836 * * *” p. 573.

B-8. No Justification for Outlawing \$2.50 Royalty As Not Within the Bounds of Economic Reason (Brief page 59).

California Code, Section 1875.

“Courts take judicial notice of the following facts:

“1. The true significance of all English words and phrases, and of all legal expressions;

“2. Whatever is established by law;

“3. Public and private official acts of the legislative, executive and judicial departments of this state and of the United States, and the laws of the several states of the United States and the interpretation thereof by the highest courts of appellate jurisdiction of such states;

“4. The seals of all the courts of this state and of the United States;

“5. The accession to office and the official signatures and seals of office of the principal officers of government in the legislative, executive and judicial departments of this state and of the United States;

“6. The existence, title, national flag, and seal of every state or sovereign recognized by the executive power of the United States;

“7. The seals of courts of admiralty and maritime jurisdiction, and of notaries public;

“8. The laws of nature, the measure of time, and the geographical divisions and political history of the world.”

In *Hagen v. Porter*, 156 F. 2d 362, at 365, it was said:

“Moreover, under Rule 43 (a), Federal Rules Civil Procedure, 28 U.S.C.A. following Section 723c,

the United States courts in California may follow Section 1875 of the California Code of Civil Procedure and take judicial notice of “* * * The official signatures * * * of the principal officers of government in the legislative, executive and judicial departments of this state and of the United States.’ Code of Civil Procedure, Deering, 1941, §1875.”

In *Illinois Co. v. Coffman*, (Ind. App.) 188 N. E. 217, the court said on page 219:

“* * * So far as we have been able to discover, the authorities are agreed that as a general rule, values must be proved by competent evidence * * *. This court cannot take judicial notice of the rental value of farm land in Rust County. It is a fact to be established by witnesses meeting the qualifications heretofore referred to * * *.”

In *Varcoe v. Lee*, 180 C. 338, pp. 345 and 346, 181 P. 223, the court stated:

“It is truly said that the power of judicial notice is as to matters claimed to be matters of general knowledge one to be used with caution. If there is any doubt whatever either as to the fact itself or as to its being a matter of common knowledge evidence should be required. But if the court is of the certain opinion that these requirements exist, there can properly be no hesitation. In such a case there is on the one hand no danger of a wrong conclusion as to the fact—and such danger is the reason for the caution in dispensing with the evidence—and on the other hand, purely formal and useless proceedings will be avoided.
* * *

“The tests, therefore, in any particular case where it is sought to avoid or excuse the production of evidence because the fact to be proven is one of general knowledge and notoriety are (1) is the fact one of common, everyday knowledge in that jurisdiction, which every-one of average intelligence and knowledge of things about him can be presumed to know; and (2) is it cer-

tain and indisputable. If it is, it is a proper case for dispensing with evidence, for its production cannot add or aid. On the other hand, we may well repeat, if there is any reasonable question whatever as to either point, proof should be required. Only so can the danger involved in dispensing with proof be avoided. Even if the matter be one of judicial cognizance, there is still no error or impropriety in requiring evidence."

A court may not take judicial notice of the value of a property right although it may take judicial notice of facts of common knowledge which are authoritatively settled which affect the value of a property right, 31 C. J. S. 701.

Ohio Bell Telephone Co. v. Quality Public Utilities,
301 U.S. 292, 81 L. Ed. 1093.

Also, where there is any doubt, it must be resolved against taking judicial notice of a purported fact. *Varcoe v. Lee*, *supra*; *Weitzkorn v. Lesser*, *supra*; *Communist Party v. Peek*, *supra*; *Coachella Farms, Inc., v. Martin*, 219 Calif. 1, 25 P. 2d 435; *Elford v. Hiltabrand*, 63 Calif. App. 2d 65, 156 P. 2d 510.

I. The Trial Court's Finding That the Hall Patent Lacked Invention Is Not Supported by the Evidence and This Court Is Bound by Such Finding (Brief p. 73).

Judge Yankwich in *Brooks Bros. v. Brooks Clothing*, 5 F. R. D. 14, at 16:

"An analysis of the Findings and Judgment by counsel will show readily what, if any, changes I have introduced in each paragraph. In some instances, I have eliminated verbiage which I thought was surplusage. Even as rewritten, the findings are longer than we have been accustomed to in the past. But, all finds, at the present time, are of necessity, such. For the Supreme Court in *Schneidermann v. United States*, 320 U.S. 118, 129, 63 S. Ct. 1333, 87 L. Ed. 1796, has ruled that findings of ultimate facts—as we were

taught by the older authorities—are no longer sufficient.

“And following the *Schneidermann* decision, the Ninth Circuit Court of Appeals sent back to me a similar case (*United States v. Bergmann*, 1942, 47 F. Supp. 765), in which I had made findings in the language of the allegations of the Complaint and negatived certain defenses in the language of the Answer—the orthodox way which, in California, we have followed for many, many years, both in state and federal practice.

“The order of the Circuit Court was that I make the findings conform to the ruling in the *Schneidermann* case. This I did, by in effect, epitomizing all the evidence in the case. That this is what the court expected is evidenced by the fact that no question of their sufficiency as to form was raised afterwards. And the appeal was decided on the basis of the facts which I set forth.

“I make this observation because were it not for the binding effect of these decisions, I would have ‘trimmed’ some of the proposed findings even more than I did.”

In *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353 (C.C.A. 9, 1955), the absence of specific findings of fact underlying the ultimate findings of fact in a patent case was criticized. The court said at page 356:

“Your court must find facts which support three essentials: novelty, utility and invention. Mere conclusions in order to hold a patent valid such as are contained in this record are of no avail. No opinion was before this court. There is indication neither why the trial judge thought the device was an invention nor why the patented article was differentiated from the prior art.”

In *Waialua Agr. Co., Ltd., v. Maneja et al.*, 178 F. 2d 603, at 608 (C.C.A. 9), the court said:

"The only method of making binding findings upon this subject is to enumerate the exact duties of a particular employee for a specified period of time and apply the pertinent statutory provisions. The imperative need for detailed facts upon which to found positive declarations is found in the nature and purpose of the act and the exclusions. The humanitarian purpose of the statute to insure to the industrial workers a fair wage for a reasonable work week was here crystallized, as the learned District Judge pointed out."

J. This Court May Decide the Issue of Validity Without Remanding (Brief p. 74).

Equitable Life Assurance Society of the United States v. Frelan, 123 F. 2d 462, at 464 (C.C.A. 9, 1941):

"Since all testimony bearing on the circumstances antecedent to and surrounding her death was by deposition, the finding of accidental death, while it is justly entitled to consideration, has not the weight we would otherwise be obliged to concede to it. This court is in as good a position as the trial court was to appraise the evidence and we have the burden of doing that. Rule 52(a) of the Rules of Civil Procedure, 28 U.S.C.A. following section 723c, was intended to accord with the decisions on the scope of the review in federal equity practice; and, as is well known, in the federal courts where the testimony in equity¹ or admiralty² cases is

¹*Paraffine Companies v. McEverlast, Inc.*, 9 Cir., 84 F. 2d 335, 339; *Rown v. Brake Testing Equipment Corp.*, 9 Cir., 38 F. 2d 220, 223; *United States v. Booth-Kelly Co.*, 9 Cir., 203 F. 423, 429; *Id.*, 237 U.S. 481, 35 S. Ct. 659, 59 L. Ed. 1058; *Grove Laboratories v. Brewer & Co.*, 1 Cir., 103 F. 2d 175, 178; *Stewart v. Ganey*, 5 Cir., 116 F. 2d 1010, 1012, 1013; *Kycoga Land Co. v. Kentucky River Coal Corp.*, 6 Cir., 110 F. 2d 894, 896; *Nashua Mfg. Co. v. Berenzweig*, 7 Cir., 39 F. 2d 896, 897; *United States v. Corporation of President, etc.*, 10 Cir., 101 F. 2d 156, 160; *Carter Oil Co. v. McQuigg*, 7 Cir., 112 F. 2d 275, 279; *State Farm Mut. Auto Ins. Co. v. Bonacci*, 8 Cir., 111 F. 2d 412, 413, 415. And see cases cited in *O'Brien Manual of Federal Appellate Procedure* (1941), p. 191 *et seq.*

²*O'Brien, Manual of Appellate Procedure* (1941), pp. 111-114, and cases cited.

by deposition the reviewing court gives slight weight to the findings."

The rule is not restricted to depositions and applies as well where the evidence is documentary. *McComb v. Utica Knitting Co.*, 164 F. 2d 670, at 674, and cases cited (C.C.A. 2d). See also *J. S. Tyne Chemist, Inc., v. Thymo Borine Laboratory*, 151 F. 2d 621, at 624.

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Appellants-Appellees,

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Appellees-Appellants.

Brief for Kenneth A. Wright and B & W Inc.,
Appellees-Appellants.

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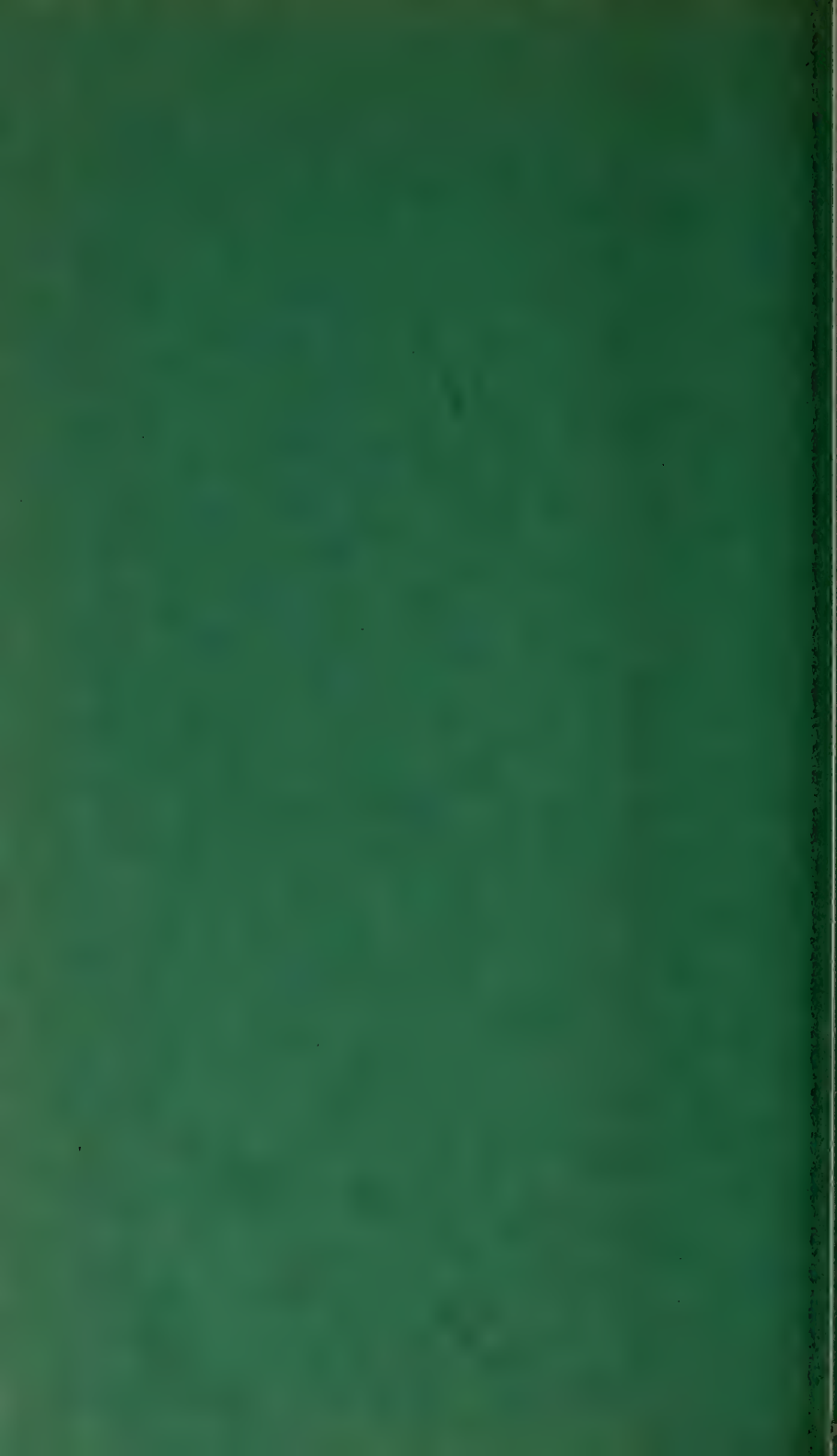
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SUBJECT INDEX

	PAGE
I.	
Statement of jurisdiction.....	1
II.	
Statement of the case.....	2
III.	
Specifications of error.....	6
IV.	
Argument	12
A. Chronological summary	12
B. The error of the court holding invalid.....	23
1. The Wright Patent 2,338,372.....	23
(a) The error of the District Court in that the patent does not teach cementing.....	27
(b) That the notices of infringement sent out with reference to Patent 2,338,372 by defendant were sent to establish a limited monopoly in the manufacture and sale of scratchers not covered by the Patent 2,338,372.....	29
2. The Wright Patent 2,374,317.....	31
3. The Wright Patent 2,392,352.....	37
C. The error of the District Court in failing to find infringe- ment by defendant of the letters patents.....	39
1. Infringement of the Wright method Patent 2,338,372	39
2. Infringement of the Wright scratcher Patent 2,374,- 317	41
3. Infringement of the Wright plugging Patent 2,- 392,352	47

D.	The District Court erred in finding the defendants were in court with unclean hands.....	49
1.	The sending out of notices without intent to sue.....	51
2.	Forming Scratchers, Inc., and purchasing the Black and Stroebel patent and filing suit thereon.....	57
3.	Employment of practice techniques to influence the placing of business by large oil companies.....	58
E.	The court erred in denying defendant relief on its counterclaims on the theory that the defendant had resorted to self-help.....	60
F.	The District Court erred in failing to apply the admonition of the Supreme Court in the Precision Instrument case 324 U.S. 806.....	66
G.	The court erred in failing to find that the Hall Patent 2,671,515 was invalid as granted upon an application filed too late	67
	Conclusion	69

TABLE OF AUTHORITIES CITED

CASES	PAGE
Adriance, Platt & Co. v. National Harrow Co. et al., 121 Fed. 827	54
Allis-Chalmers Mfg. Co. et al. v. Columbus Electric & Power Co. et al., 19 F. 2d 860.....	46
Bechik Products, Inc. v. Flexible Products, Inc., 225 F. 2d 603	56
Boston Lasting Mach. Co. v. Woodward et al., 53 Fed. 481.....	41
Celite Corporation v. Dicalite Co., 96 F. 2d 242.....	51, 53
Celluloid Manuf'g Co. v. Arlington Manuf'g Co. et al., 44 Fed. 81	41
Circle S Products Co. v. Powell Products, Inc., 174 F. 2d 562	53, 62
Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U. S. 405, 52 L. Ed. 1122.....	41
Dean Rubber Mfg. Co. et al. v. Killian, 106 F. 2d 316.....	42
Dehydrators, Limited, et al. v. Petrolite Corporation Limited, 117 F. 2d 183.....	21, 65
Electric Machinery Mfg. Co. v. General Electric Co., 88 F. 2d 11	40
Farrington v. Haywood, 35 F. 2d 628.....	40
Goodyear Tire & Rubber Company, Inc. v. Ray-O-Vac Com- pany, 321 U. S. 275.....	27
Graver Tank and Mfg. Co. v. Linde Air Products Co., 339 U. S. 605, 94 L. Ed. 1097.....	46
Hildreth v. Mastoras, 257 U. S. 27, 66 L. Ed. 112.....	46
Kaplan, et al. v. Helenhart Novelty Corporation, et al., 182 F. 2d 311	54
Martin, et al. v. H. C. Miller Co., 63 F. 2d 5.....	40
Metro-Goldwyn-Mayer Corporation v. Fear, 104 F. 2d 892....	54, 62
Moore Filter Co. v. Tonopah-Belmont Development Co., 201 Fed. 532	40
Muncie Gear Co. v. Outboard Co., 315 U. S. 759.....	67, 69, 70
National Cash Register Co. v. American Cash Register Co., 53 Fed. 367.....	41
National Hollow Brake-Beam Co., et al. v. Interchangeable Brake-Beam Co., 106 Fed. 693.....	42

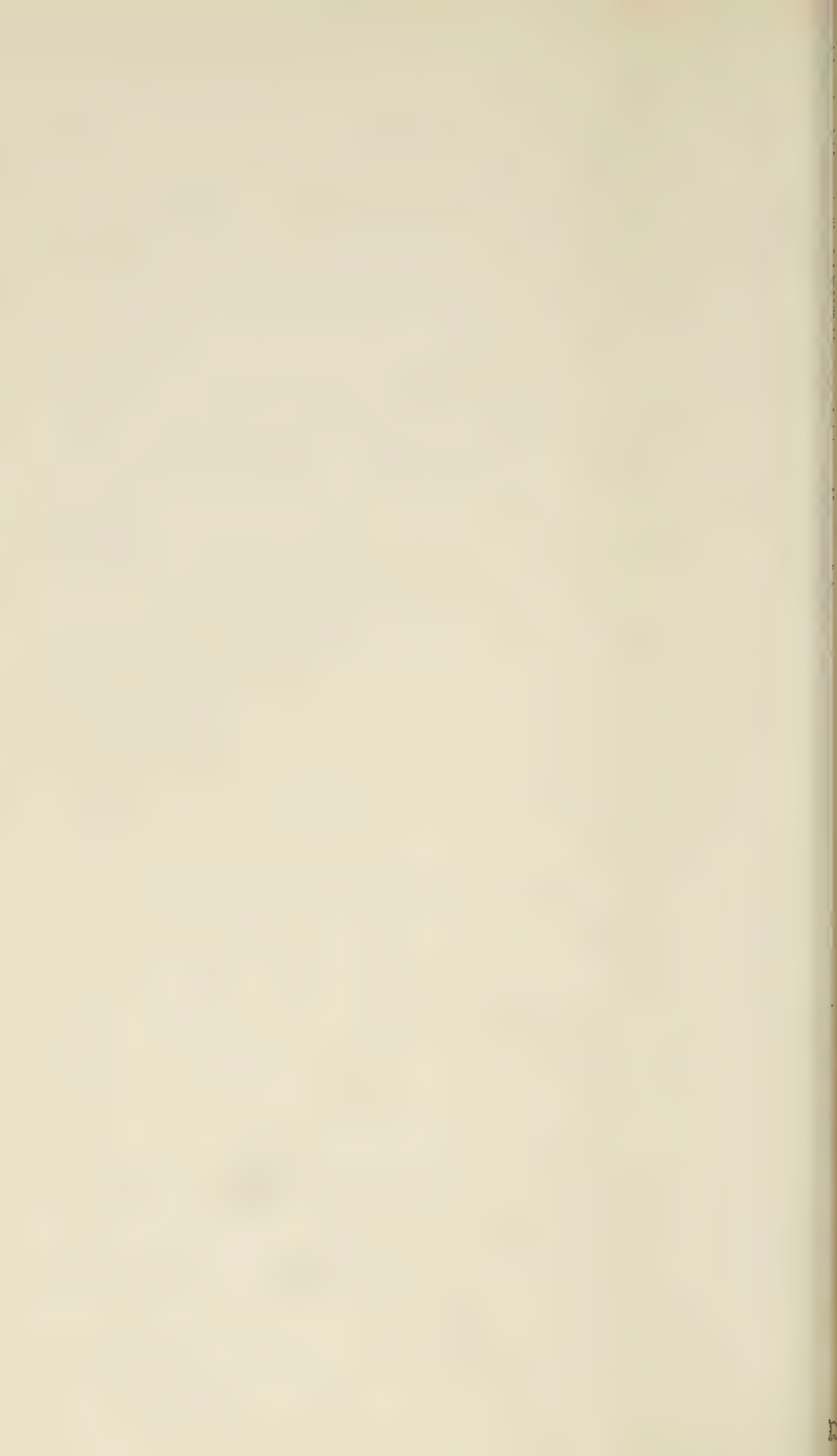
	PAGE
Oil Conservation Engineering Co. v. Brooks Engineering Co., 52 F. 2d 783.....	52
Pointer v. Six Wheel Corporation, 177 F. 2d 153.....	25
Potts & Co. v. Creager, et al., 155 U. S. 597.....	29
Precision Instrument Company v. Automotive Company, 324 U. S. 806.....	11, 66, 70
Reinharts, Inc. v. Caterpillar Tractor Co., 85 F. 2d 628.....	29
Roberts v. Ryer, 91 U. S. 150, 23 L. Ed. 267.....	29
Sanitary Refrigerator Co. v. Winters, 280 U. S. 30, 74 L. Ed. 147	45, 46
Sharnay Hosiery Mills, Inc. v. Sanson Hosiery Mills, Inc., et al., 109 F. Supp. 956.....	56
Smith v. Snow, 294 U. S. 1, 79 L. Ed. 721.....	40
Smith, Kline & French Laboratories v. Clark & Clark, et al., 157 F. 2d 725.....	42
Stadium Mfg. Co., Inc. v. Plymouth Pajama Corporation, 24 F. Supp. 779.....	56
Tilghman v. Proctor, 102 U. S. 707, 26 L. Ed. 279.....	40
Union Oil Co. of California v. American Bitumuls Co., 109 F. 2d 140	40
United States Galvanizing & Plating Equipment Corporation v. Hanson-Van Winkle-Munning Co., 104 F. 2d 856.....	56
Veaux v. Southern Oregon Sales, Inc., 45 U. S. P. Q. 610.....	68
Waxham v. Smith, 294 U. S. 20, 79 L. Ed. 733.....	40
Western Electric Co. v. LaRue, 139 U. S. 601.....	29
Winans v. Denmead, 56 U. S. 330, 14 L. Ed. 717.....	29

STATUTES

United States Code, Title 28, Sec. 1292(4)	2
United States Code, Title 28, Sec. 1338.....	2
United States Code, Title 35, Sec. 271(c)	29
United States Code, Title 35, Sec. 271(d)	41
United States Code, Title 35, Sec. 287.....	51, 52

TEXTBOOK

Walker on Patents (Deller's Ed.), Vol. 3, 471, 1709.....	42
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Appellees-Appellants.

Brief for Kenneth A. Wright and B & W Inc.,
Appellees-Appellants.

I.

Statement of Jurisdiction.

This Appeal is from the judgment of the District Court dismissing the Complaint and Counterclaims of Appellants and Appellees. All parties have appealed.

The action was tried before the District Court upon the issues formed by the Fifth Cause of Action of the Second Amended and Supplemental Complaint [Vol. I, p. 234], Answers and Counterclaims [Vol. I, pp. 251 and 256], Amendment to Second Amended Complaint and Supplemental Complaint [Vol. I, p. 324], and the Supplemental Answer and Counterclaim. [Vol. I, p. 326.]

The judgment of November 9, 1953, dismissed the action with prejudice based upon the Clayton Act. [Vol. I,

p. 306.] The jurisdiction of the District Court on the Counterclaim of B & W* is based upon the patent laws, Title 28, Section 1338, U. S. C.

This Court has jurisdiction of the Appeal the appeals were timely. Title 28, Section 1292(4), U. S. C.

This brief on behalf of B & W will deal with the Appeal taken by B & W and the issues presented thereby.

The District Court at the conclusion of the trial, briefing and oral arguments, expressed its opinion by written memorandum filed September 17, 1954. [Vol. I, p. 333.] Pursuant to said Memorandum, Findings of Fact and Conclusions of Law were prepared, adopted by the Court and filed. [Vol. I, p. 368.] The judgment of the Court [Vol. I, p. 391], was entered November 15, 1954.

II.

Statement of the Case.

This action was commenced by Jesse E. Hall (Sr.) filing his Complaint, Vol. I, page 3, against Kenneth A. Wright and B & W on December 6, 1947. By that Complaint, Hall sought a Declaration of Rights under an alleged Agreement of September 15, 1944. [Ex. 34, Vol. VIII, p. 3474.] Hall prayed also that B & W be enjoined from commencing any action for infringement of the Wright Patents No. 2,338,372 [Ex. 37, Vol. VIII, p. 3483], and No. 2,374,317 [Ex. 38, Vol. VIII, p. 3487], against said Hall or any of his customers. [Vol. I, p. 15.]

*In this brief, where reference is made to the parties, unless otherwise specifically noted, reference to Appellant Hall and to the corporate Appellants will be by the single reference to Hall. Reference to B & W as Appellees and Appellants will be by merely B & W.

Trial commenced May 25, 1949, and after several days was interrupted to reframe the issues, the Court stating:

“But I am going to tell you my observation and my reaction to this case. If I ever saw a case that should be settled by the parties, it seems to me, in their own interests, it looks to me as if these people are just going to open this field for other people and kill each other off with litigation, (578) and the end will be other people will be in the field and defeat the very purpose of their original settlement (579).” [Vol. I, p. 490.]

The trial was resumed September 30, 1952, upon the statement of the issue that was to be first determined, *i.e.*, “Who first breached by a material breach?” the alleged Complaint of September 15, 1944.

After several days of trial it became apparent that there was not before the Court sufficient parties plaintiff to enable the Court to determine the issues. [Vol. II, pp. 788, 799.]

The District Court recessed the trial, requiring an Amended and Supplemental Complaint “to bring in all parties in interest.” [Vol. II, p. 792.] The District Court again expressed its views and admonished the parties to spend their time settling the issues. [Vol. II, p. 794.]

The trial was again resumed November 3, 1953, and on November 9, 1953, the partial judgment was entered by the Court [Vol. I, p. 303], adjudging that “No contract was entered into on September 15, 1944.” The trial then continued on the remaining issues of the pleadings, alleging unfair competition by the defendants and the Counterclaim of the defendants alleging:

1. Unfair competition by plaintiffs and
2. Infringement of Letters Patent No. 2,338,372, No. 2,374,317 and No. 2,392,352. [Vol. I, pp. 334, 335.]

A further issue came into the trial near the end of the taking of the evidence. An amendment to the Second Amended Supplemental Complaint [Vol. I, p. 234], and Supplemental Answer and Counterclaim [Vol. I, p. 326], were filed at that time to frame the issues concerning the said Hall Patent No. 2,671,515 which was brought before the Court on defendants' Motion [Vol. VII, p. 3288], when it was found by B & W that plaintiff Jesse E. Hall, Sr., had filed an action in the District Court for the District of Kansas, against J. L. Robinson [Vol. VII, p. 3285], without any attempt to bring that patent into the incident case. This was true even though the complete issue with respect to the Hall Patent 2,671,515 was before the District Court in this case. This was evident from the Stipulation that the evidence already offered before the filing of the Supplemental proceeding relative to the Hall Patent No. 2,671,515, might be considered as evidence on the issues raised by the said Supplemental proceedings. [Vol. VII, pp. 3314, 3315.] No additional evidence was offered by either party subsequent to the filing of these Supplemental proceedings.

While this cause of action was pending, plaintiffs filed an action in the District Court at Houston, Texas, against B & W seeking relief for alleged unfair competition, and declaratory judgment to invalidate the Wright patents above enumerated. The action was dismissed without prejudice by Stipulation. The Houston action was refiled and was stayed on motion of B & W pending final judgment of this Court.

Hall and his companies have also filed two actions in Canada:

1. To invalidate the Wright Canadian reissued Patent No. 472,221, Exhibit Q1.
2. Asserting a license under this Canadian reissued patent.

Both of these actions are still pending even though here final judgment has been entered by stipulation that no agreement in fact ever existed. [Vol. VI, pp. 2926, 2927.]

Hall has also filed two suits in Venezuela against B & W and its distributors there obtaining in one action, an injunction against B & W's distributor. Final dissolution of this injunction was confirmed by the Supreme Court of Venezuela. [Vol. VI, pp. 2924-2926.]

During the trial of this action before the District Court, Hall also filed an action against the B & W distributor in Kansas, asserting infringement of the Hall Patent No. 2,-671,515, Exhibit 286. Further prosecution of this action was stayed by Order of Judge Mathes on the defendant's motion. This stay is continued by the final judgment now before this Court on appeal and it was this stay that occasioned the motion to modify the injunction to permit Hall to prosecute the other pending actions. The Court has ordered that this motion will be determined upon final argument.

After the filing of the Complaint in this action, Messrs. Wright, Barkis together with other parties, purchased the Black and Stroebl patent. [Ex. 172.] This patent was cited by the Patent Office as a reference against Wright. [Wright Patent file wrapper, Ex. 8.] Suits were filed on this patent by Scratchers, Inc., against Hall's companies in Oklahoma and Texas. These suits were dismissed by stipulation, without prejudice, and have *not* been refiled. No publicity of any kind was given to the filing or the prosecution of these actions by B & W.

Jesse E. Hall, Sr., obtained a patent in Mexico which was in fact broader than the Wright patents before this court and upon the same invention. B & W Inc. protested these patents in the Mexican Patent Office in accordance with the provisions of the Mexican law and as a

result of this protest the Mexican Patent Office declared that the Hall Mexican Patent lacked novelty. Hall appealed by filing an action in the court in Mexico. The court affirmed the decree of the Patent Office. Hall appealed to the Supreme Court in Mexico and that court has not acted upon the appeal. Vol. VI, page 2927.

III.

Specification of Errors.

1.

The District Court erred in dismissing the counterclaim of defendant-counterclaimants. [Judgment, par. VI.]

2.

The District Court erred in finding and holding that the defendant-counterclaimants were in court with unclean hands. [Finding XXVI, Conclusion of Law B.]

2-A.

The District Court erred in denying relief to defendants and defendant-counterclaimants upon the ground that defendants and defendants-counterclaimants (a) come into court with unclean hands, and that (b) during the continuance of the controversy did not maintain their hands clean. [Conclusion of Law B.]

3.

The District Court erred in finding and in adjudging Letters Patent No. 2,338,372 granted January 4, 1944, to be invalid and void as to each and every claim thereof. [Finding XXX, Judgment, par. 10.]

4.

The District Court erred in finding and in adjudging Letters Patent No. 2,374,317 granted April 24, 1945, to be invalid and void as to each and every claim thereof. [Finding XXXIV, Judgment, par. 12.]

5.

The District Court erred in finding and in adjudging Letters Patent No. 2,392,352 granted January 8, 1946, to be invalid and void as to each and every claim thereof. [Finding XXXV, Judgment, par. 14.]

6.

The District Court erred in failing to find that plaintiff, Hall, and plaintiff-interveners, have infringed Letters Patent No. 2,338,372. [No Finding or Conclusion.]

7.

The District Court erred in failing to find that plaintiff, Hall, and plaintiff-interveners, have infringed Letters Patent No. 2,374,317. [No Finding or Conclusion.]

8.

The District Court erred in failing to find that plaintiff, Hall, and plaintiff-interveners, have infringed Letters Patent No. 2,392,352. [No Finding or Conclusion.]

9.

The District Court erred in finding and in basing any holding or judgment upon the finding that Letters Patent No. 2,338,372 do not teach, claim or mention a method of completion of oil wells which incorporated within its teachings and claims cementing operations performed incident to oil well completions. [Finding XV.]

10.

The District Court erred in finding that and in basing any holding against defendants and defendant-counter-claimants upon the finding that defendants, Wright and B & W, Inc., both before and during the pendency of this litigation have unfairly and without cause notified customers and prospective customers of plaintiff and plaintiff-interveners that the customers infringed Wright's method Patent No. 2,338,372 by the use of scratchers in

cementing operations incident to the completion of oil wells without intent that the notices serve as a preliminary to suit. [Finding XIV.]

11.

The District Court erred in finding and in basing any holding against defendants and defendant-counterclaimants upon the finding that defendants and defendant-counterclaimants, Wright and B & W, Inc, “* * * opposed the grant of said patent to Hall (2,671,515) at every permissible stage and by every permissible proceeding in the United States Patent Office.” [Findings X and Xa.]

12.

The District Court erred in finding that and in basing any holding against defendants and defendant-counterclaimants upon the finding that notices given by Wright and B & W, Inc., to the trade were not in good faith because Letters Patent No. 2,338,372 does not teach, claim or even mention a method of carrying out the cementing operations incident to the completion of an oil well. [Finding XV.]

13.

The District Court erred in finding and in basing a holding against defendants and defendant-counterclaimants upon the finding that the “* * * threats and notices of infringement of said method patent No. 2,338,372 were given by defendants and counterclaimants to customers of plaintiff and plaintiff-interveners in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by said Letters Patent No. 2,338,372.” [Finding XVa.]

14.

The District Court erred in finding that and in basing any holding against defendants and defendant-counter-

claimants upon the finding that during the pendency of this litigation the said defendants and defendant-counterclaimants have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that the customers infringed the Wright Patent No. 2,374,317, and that the said notices given to the trade both directly and indirectly were without intent that the notices serve as a preliminary to suit.

15.

The District Court erred in finding that and in basing any holding upon the finding that the notices of infringement of Letters Patent No. 2,374,317 given by defendants and defendant-counterclaimants were given in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by said Letters Patent No. 2,374,317. [Finding XVc.]

16.

The District Court erred in finding that and in basing any holding or judgment against defendants and defendant-counterclaimants upon the finding that defendants and defendant-counterclaimants, Wright and B & W, Inc., cause Scratchers, Inc., to be organized; caused Scratchers, Inc., to acquire title to the Black & Stroble Patent No. 2,151,416, and caused suits to be filed against Weatherford Oil Tool Company, Inc., plaintiff-intervener; S & R Tool Company, and Weatherford Oil Tool Company, Inc., and in “* * * attacking the Hall Mexican Patent No. 47,661.” [Findings XVI and XVII.]

17.

The District Court erred in finding that the suits brought by Scratchers, Inc., and set forth in Finding of Fact XVI “* * * were instituted to serve as a basis for sales propaganda to the trade in the state or country in which they were filed.” [Finding XXIII.]

18.

The District Court erred in finding that defendants and defendant-counterclaimants have employed, and practiced techniques to influence the placing of business by the larger oil companies, which techniques entailed everything from veiled threats to adroit suggestions in an effort to make the oil companies feel more secure, patent-infringement wise, if they would direct their business to defendants and defendant-counterclaimants. [Finding XXIV.]

19.

The District Court erred in finding and in basing any holding against defendants and defendant-counterclaimants upon the finding that any suit, action or proceeding instituted by defendants or defendant-counterclaimants in this country or in any other country were tried primarily to the trade while pretending to look to this court for justice. [Finding XXV.]

20.

The District Court erred in finding that defendants and defendant-counterclaimants have, during this litigation, resorted to self-help while pretending to look to the court for justice. [Finding XXVa.]

21.

The District Court erred in denying relief to defendants upon the ground that during pendency of the action that the defendants and defendant-counterclaimants have resorted to self-help. [Conclusion of Law C.]

22.

The District Court erred in its conclusion that it failed to allow the defendants and defendant-counterclaimants

their taxable costs occasioned in this action. [Conclusion of Law E.]

23.

The District Court erred in failing to specifically find that plaintiff, Hall, had knowingly misrepresented facts to the Patent Office and had by such means misled the Patent Office in the granting of the Hall Patent No. 2,671,515.

24.

The District Court erred in failing to specifically find that the action of plaintiff, Hall, before the United States Patent Office fell strictly within the holding of *Precision Instruments Co. v. Automotive Co.*, 324 U. S. 806, and in failing to apply against Hall the admonitions of the Supreme Court as set forth in such decision.

25.

The District Court erred in failing to hold that the Hall application, Serial No. 556,191, eventuated in Letters Patent No. 2,671,515, was not a legal continuation-in-part of Hall application, Serial No. 388,891.

26.

The District Court erred in failing to find that Letters Patent No. 2,671,515 was invalid and void because the application therefor was filed more than a year after the devices illustrated in said application were on sale, had been sold and had been shown in public print for more than a year prior to the filing of the application for said Letters Patent.

IV.

ARGUMENT.

A. CHRONOLOGICAL SUMMARY.

In recovery of oil and gas from the earth, wells are drilled. It has for many years been usual to "cement" the well to separate the formations in the well. Cementing failures were common and the result disastrous to a well. These failures presented a very serious problem to the oil industry. [Vol. IV, p. 1750.]

Many attempts were made to solve this problem which existed throughout the oil fields of the world. [Vol. VI, pp. 2728, 2729.]

The problem is particularly illustrated and described in connection with Chart FT [Vol. VI, pp. 2729, 2743], and may be briefly stated as a failure to obtain a bond between the cement and casing within the well and the formation. These failures leave channels for mixing of the fluids, oil, water and gas within the well.

Mr. Kenneth A. Wright, a graduate petroleum engineer and geologist [Vol. VI, p. 2726], had for many years devoted his entire time to the problem of well completions. [Vol. VI, p. 2727.]

Wright the patentee of the three patents in suit in conceiving the inventions, determined first that it was essential to well completion to obtain an adequate bond between the well formation and the virgin soil through which the well hole was bored.

Wright conceived the invention set forth in the method Patent No. 2,338,372, Exhibit 37, of abrading the well bore to expose the virgin soil so that a bond could be had between the casing and the formation during the placement of sealing fluid, whether it be cement slurry or other fluid.

The sealing medium used to obtain this bond may be the cement commonly employed, oil, sulphur, or any other medium capable of maintaining a seal to separate the producing stratas. Such cementing or sealing was old in the art and well known to the entire industry.

Wright conceived that this result might be obtained by abrasion of the well walls so that the rotary mud used in the drilling process would be displaced from the formation and removed therefrom during placement of the cement or other sealing fluid.

Wright took his studies of this problem to Barkis, and explained the same to him. This was in the early part of the year 1939. [Vol. VI, p. 2743.] Barkis thought that the conception of Wright had merit [Vol. VI, p. 2744], and they formed B & W Inc., for the purpose of exploiting the Wright inventions. [June 1939, Vol. VI, p. 2744.]

Rotary mud has been used for as long as rotary drilling of oil wells has been practiced and is essential to the carrying out of this drilling process. Rotary mud is used for lubrication of the drilling cutters or bit; the provision of a vehicle for carrying the cuttings to the surface of the ground; and the sealing off of the formation to hold the well together and to resist cave-ins. Rotary mud builds up, particularly upon the permeable stratas of the well [Vol. VI, p. 2744], and it is from these permeable stratas that oil and gas are recovered.

It is the separation of these permeable stratas through the use of cement that underlies the process of "cementing" a well. Failure of cementing very often permits water to force the oil or oil and gas away from the well so that neither may be recovered. [Vol. IV, pp. 1747, 1748, Barkis.]

While B & W was engaged in development of a scratcher to effectively abrade the formation [Wright Patent No. 2,374,317, Ex. 38] it was called upon by the Union Oil

Company of California to demonstrate any device that it might have which might exhibit a hope of solving this problem in well completions. [Vol. IV, p. 1742.] The problem was so acute that Union Oil Company formed a special research project and invited anyone having any device or method to bring the same forward so that tests might be made thereof.

The project was assigned to Phillip H. Jones. [Vol. III, p. 1278.] The work in this project started in the latter part of the year 1939 and was carried over and completed in the year 1940. The project and the setting up of the research program is described by Mr. Jones. [Vol. III, pp. 1279, 1280.] A test apparatus was devised which is described in the Final Report. [Ex. X, Vol. IX, p. 3670.] Of all the devices and methods submitted and tested by the Union Oil Company, the one found to be most hopeful, was the B & W scratcher known as the "Wall Cleaning Guide." The Exhibit X report recommends that the Union Oil Company use these Wall Cleaning Guides.

"Protection of these formations against upper and lower water sands may be necessary and the absence of a thick mud cake between mud and productive sands is desirable. Therefore, where such conditions prevailed, it is suggested that *B & W Scratchers* be placed on the casing to remove mud cake from the potentially productive sand and from the formations above and below it." [Vol. IX, pp. 3679, 3680.] (Emphasis ours.)

The Union Oil Company followed the recommendation of the report Exhibit X and began the purchase and use of B & W Scratchers (Wall Cleaning Guides) in 1940, Exhibits RRRR, SSSS and TTTT. On March 15, 1940, Phillip H. Jones gave his report Exhibit X, to the Pacific Coast Section of the American Petroleum Institute at a

session held in the Biltmore Hotel at Los Angeles, California. At this API meeting, copies of the report Exhibit X were distributed. The copies distributed did not include the first pages which constituted the recommendations of the Union Oil Research Staff to the Union Oil Company, but in other respects were identical with Exhibit X. [Jones, Vol. III, p. 1292.]

Jesse E. Hall, Sr., used this report in certain of his sales activities. [Ex. 152, Vol. VIII, p. 3528.]

Prior to the release of the report by the Union Oil Company, namely on December 31, 1939, B & W made its first sale of scratchers (Wall Cleaning Guides) to Thomas Kelly & Sons [Vol. VI, p. 2787, Ex. HHHH], and these scratchers were lowered into the Kelly well and used in carrying out the cementing operation and are still in place within the well. The structure of these scratchers so used is shown by Exhibit FFFF. [Kelly, Vol. IV, pp. 1510, 1514.]

B & W's sale of scratchers began on December 31, 1939, and rose from this sale to an annual business of hundreds of thousands of dollars. [Exs. 175H, 176J, 177F, 179E, 180D.] Before the introduction by B & W of these scratchers and the teaching of the art, the method defined in the Wright Patent No. 2,338,372 [Ex. 37], there did not exist in the art a method adequate to solve the problem.

This business was so attractive that Jesse E. Hall, Sr., with full knowledge of B & W's activities, entered into the business in 1941. Hall filed a patent application for a Scratcher in the Patent Office on April 16, 1941. [Ex. 1, Vol. VIII, p. 3385.] While this Hall application was pending, the Wright method Patent No. 2,338,372 was issued on January 4, 1944. Hall filed a second patent application copying the claims of the Wright Patent No. 2,338,372. Two interferences were then declared, one between the Wright method patent

and the Hall method application Interference No. 81559 [Ex. 7], and a second between the Hall application filed April 16, 1941 [Ex. 1], and the application which eventually resulted in the grant of the Wright Patent No. 2,374,317. [Ex. 38.] Interference No. 81240. [Ex. 6.] In these Interferences, Hall conceded priority to Wright. [Exs. V and W, Vol. IX, pp. 3665-3669.] The Wright Scratcher application was filed in the United States Patent Office on December 10, 1940. [Ex. 38, Vol. VIII, p. 3487.]

Hall had full knowledge of Wright's invention and of Wright's introduction of scratchers to the trade. [English letter, Ex. 152.]

The purported agreement of Exhibit 34, was dated September 15, 1944. [Vol. VIII, p. 3474.] After September 15, 1944, the Hall application, Serial No. 388,891, was prosecuted by an attorney selected by Hall in accordance with the provision of the September 15, 1944 document. The application was finally rejected by the Patent Office and abandoned.

Hall filed a second application No. 627,013, filed November, 1945. [Ex. K.] Although the application, Serial No. 388,891 [Ex. I], was by the provision of Exhibit 34 presumably the property of Wright and B & W, no notification was given to Wright or B & W of the abandonment of that application until B & W sent the Assignment of this application to the Patent Office for Recordation. [Ex. AI, May 17, 1946, Barkis, Vol. IV, pp. 1811, 1812.] It was then known that no patent would issue to Hall pursuant to the terms of the document, Exhibit 34. After this B & W received a letter, Exhibit 22 from attorney Thomas E. Scofield, representing Hall, demanding a revision of the document of September 15, 1944, Exhibit 34. A conference was held between Kenneth A. Wright, Bruce Barkis and Hall's attorney, Mr. Scofield. [Ex. 171, Vol. VIII, p. 3536.]

At this conference, attorney Scofield, advised of the filing of the application 627,013 [Ex. K], and that unless the agreement was modified, that he would file suit against B & W. [Ex. 171.] B & W refused to accede to the demands and this action was filed on December 12, 1947. Hall ceased payment under Exhibit 34.

B & W had endeavored to negotiate with the Shell Oil Company a license on a royalty basis to use the Wright method patent, Exhibit 37, and permit that company to purchase scratchers in the open market. [Barkis, Vol. IV, pp. 1800-1804.] B & W had also similarly approached the Standard Oil Company of California. [Vol. IV, p. 1805.]

After the Hall Application 388,891, had been abandoned (Nov. 8, 1945) and after defendants were notified of the activities of plaintiff Hall in the exploitation of Scratchers to the Gulf Oil Company, defendant Wright wrote a letter, Exhibit 45, dated June 14, 1946 [Vol. VIII, p. 3503], advising Gulf Oil Company of the fact that the defendants held the Letters Patent herein issued and also advised them with respect to the purported agreement, Exhibit 34. Defendants continued negotiations seeking to obtain a part of the Gulf Oil Company's business in the use of the method and of Scratchers embodying the inventions made by defendant Wright.

The defendant's activities are completely summarized in the testimony of Mr. Houghton, patent attorney for Gulf, who was called as witness by plaintiff and who testified:

“Mr. Decker and Mr. Wright both stated that they had no present intentions of bringing suit against Gulf for infringement of the Wright patent and definitely stated that they would not claim damages for any of the cementing work done by Gulf in the past. They repeated their remarks that they were

only interested in obtaining a fair share of Gulf's Scratcher business." [Vol. II, p. 594.]

Gulf preferred a coil spring type scratcher, B & W in June 1947, offered Gulf a coil spring scratcher. [Vol. V, p. 2252, Ex. 88; Ex. 88A, Vol. VIII.] Gulf did not purchase this scratcher and B & W never sold a scratcher of this construction. [Vol. V, p. 2254.] The fact that these coil spring type scratchers were offered to Gulf was communicated in June 1947, to attorney Scofield and he phoned Gulf and stated:

"You called me on the phone, and seemed to be highly excited because you appeared to be under the impression that Gulf was buying or considering buying scratcher equipment from B & W, and you gave me to understand in no unmistakable terms that you were not going to stand for it and that you were going to sue Gulf Oil Corporation or Gulf Research and Development Company, and I recall distinctly I said, 'What in the blank are you going to sue on,' because I did not know you had any patent at that time upon which you could base a suit." [Houghton Deposition, Vol. II, pp. 564, 565.]

In the fall of 1947 B & W again solicited Gulf's business and offered the multiflex scratcher. [Physical Ex. 57.] Gulf indicated that it would purchase the multiflex scratcher. This decision was made known to Hall. Hall asserted that the Multiflex would infringe claims he alleged he had allowed. [Ex. SS, Vol. IX, pp. 3741, 3742, dated Dec. 5, 1947.] This decision of Gulf's precipitated this suit on December 12, 1947.

After the Patent Office finally rejected the Hall Application, Serial No. 388,891, it was determined that a second application on a scratcher would be filed by Hall. A letter [Exs. 194, 195, 196], of June 2, 1945, was written by John Hall, son of Jesse E. Hall, for his

father to attorney Scofield. This letter formulated the basis for the second application, Serial No. 627,013, Exhibit K, filed November 6, 1945. This letter was not before the Patent Office at any time and attorney Scofield refused to produce the same. The Patent Office held that it was without facilities to force the production of the letter. [Decision of the Patent Office, Ex. PB.] This letter was produced before the District Court pursuant to demand over the opposition of plaintiff. This letter, establishes that both Hall and Attorney Scofield knew in June 1945, that the B & W Wall Cleaning Guide was and always had been a reversible scratcher that it is rotated upon the casing during the scratching operation.

The 627,013 application, Exhibit K, was finally rejected and appealed to the Board of Appeals. The Board affirmed the Examiner and Hall then appealed to the Court of Customs and Patent Appeals.

While that Appeal was pending and before a determination Hall filed a third application, Serial No. 55619, Exhibit 69. The appeal was then dismissed which determined forever all issues before the Court of Customs and Patent Appeals or which might have been presented.

The Patent Office finally rejected the third application of Hall. The Board of Appeals allowed three claims, Claims 23, 24, 31 of this third application, now Claims 1, 2, 3 of the Hall Patent No. 2,671,515, Exhibit 286. The Board of Appeals in allowing these claims stated in referring to these claims and the B & W scratcher as shown in the Jones and Burdine report, Exhibit X:

“This is a structure whereby applicant attains the function disclosed in his application of rotating the support around the casing during its scratching operation and we do not find in the prior art this structure or any equivalent structure whereby this function could be attained. The Petroleum World publication does not clearly disclose that the support which seems

to be illustrated in Figure 26 (Exhibit X, Figure 26) is rotatably mounted on this or on the casing, although it may be that in the actual structure produced in Figure 26, the support was made reciprocal on the casing and also rotatable thereon. This cannot be determined from the record before us. Furthermore, although the ends of the whiskers disclosed in Figure 26 appear to be bent in a generally sidewise direction with respect to the radius of the support, the whiskers do not project in this manner from a point on the periphery of the support as recited in these claims.

“Without further evidence, it cannot be held merely from the disclosure of the application, that the scratcher illustrated in Figure 26 was constructed in accordance with these claims or functions as disclosed in the application on appeal.” [Decision of the Board of Appeals on Jan. 30, 1950, Ex. 69, p. 132.] (Emphasis ours.)

The fraud of Hall and Scofield in knowingly misrepresenting the facts to the Board of Appeals in order to obtain the foregoing decision, will be apparent from this Brief. The letter Exhibits 194, 195, 196 establishes beyond doubt the knowledge of Hall and Scofield that the structure of Figure 26 was a rotatable reversible scratcher. It will be further shown that the Patent Office has so held in its decision, Exhibit 216:

“It is accordingly held that the device shown in Figure 26 of the Jones and Burdine Report is so similar to or so nearly the same structurally and functionally as the one sought to be patented by Hall, that a showing of public use would bear the grant of a patent to Hall.” [Ex. 216, Vol. VIII, pp. 3562, 3563.]

After the Board of Appeals' decision of January 30, 1950, a third interference between Wright and Hall

was declared. Between an application filed by Wright 777,640 [Ex. 70], and the third Hall application, Serial No. 55619. When the interference was declared, it was determined that the Wright application was filed too late to avoid the statutory bar existing by the sale and offering for sale of the Hall and Wright scratchers. Wright having obtained knowledge through interference 84411 of the Action of the Board of Appeals, allowing claims 23, 24, 31 to Hall, protested under the Patent Office Rules the grant of a Patent to Hall. The record before the District Court corresponded with the record before the Patent Office differing in that the Patent Office did not have before it the proof that both Hall and Scofield knew as early as June 2, 1945, that the Wright scratcher was a reversible and rotatable scratcher.

The District Court with full knowledge of the facts herein referred to, held this patent, Exhibit 286 invalid, Vol. I, pages 343, 344.

A claim of violation of the antitrust laws was based upon the manner in which B & W was conducting its business of selling scratchers for use in carrying out the methods of the Patent No. 2,338,372 Exhibit 37 without separately stating a royalty charge. To avoid this claim of antitrust violation B & W segregated the charges made for the license and the charges made for the scratchers. To do this B & W stated upon its invoice the royalty charge. [Vol. I, p. 211.] This was in accord with the decision of this Court in the *Petrolite* case (*Dehydrators Ltd. et al. v. Petrolite Corp. Ltd.*, 117 F. 2d 183), where the court at page 187 stated:

“Indeed, no other course on the part of a patentee who is selling a commercial product to use in the patented process he owns would seem to quite meet the claim that the practice of combining the price of a royalty of a product in the same unit without separation tends to produce a monopoly in the product if a patent monopoly is not waived.”

In addition to the foregoing, defendants at the same time, placed on the Register of Patents, the Wright patents for licensing at the same rate, to-wit, of 60¢ royalty. [Exs. DV and DV-1.]

As soon as defendants commenced the stamping of its invoices to indicate the payment of the 60¢ royalty, plaintiffs circulated a letter demanding \$2.50 royalty per scratcher from any person using B & W scratchers of the Multiflex or nu-coil type. [Vol. I, p. 210.] A list of the companies to whom this letter was sent is in evidence and shows that this letter was sent to practically every customer of B & W.

There was no rhyme or reason for the sending of this letter, Exhibit JJJ except to retaliate, as was made evident from plaintiff's counsel's statement.

B & W petitioned the District Court for an injunction to enjoin Hall from circulating the letters like Exhibit JJJ. At the hearing Hall objected to the stamping of the B & W invoices with the 60¢ royalty notice. B & W's position was that it did not desire to circulate the invoices with the 60¢ royalty notice, it had only caused B & W trade difficulties and if the court desired, it could enjoin B & W upon Hall's application, from continuing to stamp its invoices showing the separation of the royalty charges.

The result was the issuance by the Court of the injunction of January 26, 1952. [Vol. I, pp. 209-212.] As a result of the Hall \$2.50 royalty letters, such large distributors of B & W scratchers as Bethlehem Steel, Exhibit KKK, Jones and McLaughlin, Exhibit OOO and Continental Supply Company, Exhibit QQQ issued Cease and Desist orders to all of their purchasing agents to immediately cease and desist from further purchase of B & W scratchers. It was shown that several of the Cease and Desist Orders were still in effect.

B. THE ERROR OF THE DISTRICT COURT IN HOLDING INVALID.

1. The Wright Patent No. 2,338,372.

The Wright Patent No. 2,338,372, Exhibit 37, page 3483, will hereinafter be referred to as the Wright Method Patent. This patent deals with a "Method for Conditioning Well Bores" and the invention therein is adequately expressed in Claim 3.

The method thus invented by Wright was stated by Eugene L. Davis, District Engineer for the Texas Company, as the most outstanding contribution to this art made for a long, long time. Mr. Davis testified:

"Well at that time, we were very much concerned and the industry itself was very much concerned with the cementing problems in oil wells." [Vol. VI, p. 2756.]

Mr. Davis further testified that he was a member of the Committee of the API on oil well completions which included, cementing practices [Vol. VI, pp. 2756, 2757], that he had received personally from Mr. Jones, prior to the presentation of the paper to the API, the reports of the work that Jones had done with the B & W scratcher and the recommendations that were being made to the Union Oil Company, and testified concerning these reports:

"Well, they were convinced of the validity of their findings in these researches and would adopt the practices which he indicated of cleaning the formation."

Defendants further testified that the recommendations made to the Union Oil Company by Jones were adopted by the Texas Company, stating:

"I recommended that we adopt his practice in cementing of oil wells.

Q. Was that recommendation followed? A. Yes.

Q. Did the Texas Company make purchases of scratchers? A. Yes.

Q. Before the API meeting? A. Yes.

Q. From whom? A. B & W.

Q. Did they place those scratchers in operation? A. Yes.

Q. In accordance with what procedure? A. In the cementing of the water string.

Q. Did that procedure or did not that procedure follow that recommended by Mr. Jones? A. Yes it did." [Vol. VI, pp. 2757-2758.]

Exhibit X contains the recommendation of the B & W scratcher to the Union Oil Company, which was adopted and continued to date. The importance of this method is further shown by articles independently written in several of the internationally circulated periodicals dealing with the oil industry. The Oil and Gas Journal, Exhibit BE contains the article written by Mr. Rogers of the Carter Oil Company and speaking with reference to the use of B & W scratchers, *i.e.*, wall cleaning guides in cementing operations for that company comments upon the successful completion of oil wells utilizing such scratchers and shows a success frequency of 97½ per cent of the cementing operations as compared to 50 per cent failures prior to the use of the Wright method.

Exhibit DX contains an article written by Cannon and read to the API meeting in 1948. The Oil and Gas Journal Exhibit EZ contains the article written by McClatchen with respect to this tremendous advance made in the art of oil well completions. The Torrey articles, Exhibits FE and FG contain a graphic illustration of the failures in cementing prior to the introduction of the Wright method of well completion. Prior to the intro-

duction of the Wright invention, a process known as "squeeze cementing" was resorted to in an attempt to overcome the failures in cementing operations and such squeeze cementing was costing the industry in the United States in the neighborhood of \$5,000,000 a year. This invention has eliminated almost completely this practice. Rarely, if ever, has this Court had before it such a meritorious invention and one which has been of such great benefit to the industry. Seldom has this Court had before it such a patent as the Wright patent which sets forth a generically new invention which started an entirely new practice in an industry and which overcame a problem of so many years duration.

This Court has recognized the significance of this type of test for invention and stated in *Pointer v. Six Wheel Corporation*, 177 F. 2d 153 at 160:

"A test which has been found very useful and generally followed is that adverted to by Mr. Chief Justice Taft in the case just referred to,—namely, the discovery of the source of the difficulty and the application of a remedy not thought of before."

Wright discovered the difficulty. He discovered the solution for that difficulty. The Wright invention in the method lies in the *abrading* of the well wall to expose virgin soil not contaminated with rotary drilling mud, so that an effective bond may be formed between this virgin formation and the oil well casing by causing a sealing fluid to displace the mud and form the stated bond.

To accomplish the Wright method, scratchers are carried by the pipe or casing into the well. This casing or pipe is reciprocated in the well to abrade the formation so as to actually scratch or grind as abrading does, the rotary mud from the surface of the well hole. At the same time, the sealing fluid which is used to seal

the formation, cement, is pumped through the pipe so that this sealing fluid, cement, displaces the rotary mud and effects a seal between the virgin formation and the casing so that an effective and positive bond is had. As explained by Wright, rotary mud is like a filtrate in a filtering operation. The rotary mud is carried in water and when this rotary mud encounters the permeable formation, *i.e.*, the formation in the well through which the desired fluids, oil, gas and water, may be recovered, the water in the rotary mud passes through the permeable strata and deposits the mud on and in the permeable strata. The presence of this mud Wright discovered to be the primary cause of well cementing or well completion failures. Wright conceived that by *abrading* that he would not wipe the well surface free of rotary mud, but that he would grind or abrade the surface so as to remove from the surface that portion of the well wall which was contaminated with rotary mud. As in all filtering operations however, Wright realized that to merely remove the mud from the well wall was not sufficient because the precipitate would immediately reform. So that the second and essential step, as expressed in Claim 3, the utilization of the pipe carrying the abrading means to conduct the sealing fluid, cement, into the well to contact and bond with the wall of the well where the virgin soil was thus exposed. This was a brand new concept in well completions and is not even hinted at in any of the so-called "prior art."

Attorney Scofield, when asked by the District Court for the "best" art against this method patent stated:

"Your Honor, I do not believe that there is any very good art." [Vol. VII, p. 3283.]

That a real problem in well completions existed in the United States and in oil fields all over the world, prior

to Wright's invention, was stipulated to by counsel for plaintiff. Vol. VI, page 2728, where Mr. Scofield stated:

"We will stipulate that your Honor."

The foregoing illustrates not only the fact of the invention made by Wright in the method of Exhibit 37, but its acceptance in the trade, its wide spread commercial use and commercial success. While commercial success does not prove invention, it is also one of the reliable tests used in determining the fact of invention.

In *Goodyear Tire & Rubber Company, Inc. v. Roy-O-Vac Company*, 321 U. S. 275 at 279, the Supreme Court has stated:

"When the method was discovered it commended itself to the public as evidenced by marked commercial success. These factors were entitled to weight in determining whether the improvement amounted to invention and should in a close case tip the scales in favor of patentability."

It is submitted that the District Court's decision that the method patent is invalid in view of *unstated* prior art cannot be sustained.

(a) The Error of the District Court In Finding That the Patent Does Not Teach Cementing.

The District Court in its Memorandum, Vol. I, page 336, erred both in law and fact in holding:

"Moreover the notices were not given in good faith since Patent 3,338,372 does not teach or claim, or even mention any method of carrying on the cementing operation incident to the completion of an oil well."

The Union Oil Company, the committee on well completions of the API as expressed by Mr. Davis of the Texas Company and the art had no difficulty in applying the invention of the Wright method to practice in oil well cementing. The committee on oil well completions of the American Petroleum Institute was dealing with the problem of cementing failures. Well completions as shown by this evidence is the art of well cementing or sealing the well to the casing to permit the recovery of the desired fluid from the permeable formations of the well. No one before the District Court testified to the contrary. The error of the District Court lies in the fact that this Court was not skilled in the art of well completion, the art to which the patent, Exhibit 37, is addressed. The patent does teach the art of well completion the use of cement to form the seal, but is broader in that it contemplates any of the other well known methods of completing a well, such as for example, the use of oils, sulphur or other mediums commonly employed to complete the well. It was not limited to cement by design the patent solicitor who drafted the application.

Thus it is clearly demonstrated that the Court erred as a matter of fact in the interpretation of the method patent. The record contains no evidence that the art did not understand that the method patent, addressed to well completion, was not understood to be directed to cementing.

The fact, if it were a fact, that Wright did not conceive that his method of well completion included the art of cementing a well, would not in any way mitigate against the validity of the patent or against the fact that the patent should by law be construed to cover such operation. The rule is that an inventor is entitled to any use to which his invention may be put. This doctrine is established by a long line of decisions as early as *Winans*

v. Denmead, 56 U. S. 330 (1953), and as was stated in *Roberts v. Ryer*, 91 U. S. 150, 157, 23 L. Ed. 267, 270:

“The inventor of a machine is entitled to all uses in which it can be put, no matter whether he had conceived the idea of the use or not.”

See also *Western Electric Co. v. LaRue*, 139 U. S. 601; *Potts & Co. v. Greager, et al.*, 155 U. S. 597 at 606. This Court stated the rule in *Reinharts, Inc. v. Caterpillar Tractor Co.*, 85 F. 2d 628 at 632:

“He may, therefore, claim every use to which it may be applied, irrespective of whether he had it in mind when he made the invention.”

There is, therefore, no support in *fact* or *law* for this holding of the court that the method patent did not include cementing and it was, therefore, unfair competition to notify companies performing cementing operations of the Wright method patent.

(b) That the Notices of Infringement Sent Out With Reference to Patent No. 2,338,372 by Defendant Were Sent to Establish a Limited Monopoly in the Manufacture and Sale of Scratchers Not Covered by the Patent No. 2,338,372.

The Patent Act of 1953, 35 U. S. C., Section 271(c) (d), define contributory infringement.

The scratchers referred to are clearly not staple articles or commodities of commerce suitable for substantial non-infringing use as set forth in Section 271(c). The fact is the scratchers have no other use than in carrying out the processes of the Wright patents. Even should the court's assumption of fact be correct, for which there is no basis in the record, it is established by law that the legal conclusion and consequence referred by the court is contrary to the provisions of the law. It is significant

to note in this regard that there is no finding by the court that the scratchers are stable articles or commodities of commerce suitable for substantial noninfringing use. Such finding could not be made in view of the record. Scratchers have no other use than in carrying out the processes of well completions. Hall testified the scratchers clearly infringe the Wright Patent No. 2,374,317. [Vol. II, p. 994.] There is no incident set forth in the record wherein it is established that B & W or Wright gave notice of infringement of only the method patent. For example, Exhibit 45, the letter written by Wright to Teplitz of the Gulf, June 13, 1946, lists the three Wright patents, Exhibits 37, 38, 39 and merely states that B & W holds such patents and could not be considered to come within the accusation made by the District Court of an attempt to monopolize the sale of scratchers through the enforcement of a method patent which does not cover the said scratchers. The stamping of the invoices with the 60¢ royalty notice as set forth in Exhibit 83, Vol. VII, page 3517, cannot be considered such a practice. Certainly this cannot be considered to be true with respect to the letters written to the Shell Oil Company, Exhibit 16, and Standard Oil Company of California, Exhibit 44, in the attempt to license these companies so that they could utilize the method of this patent and purchase their scratchers from any supplier. [Barkis, Vol. IV, pp. 1800, 1805.] Certainly the act of B & W in placing the patents upon the Patent Office Registry at the 60¢ license fee [Exs. DV, DV-1 dated June 29, 1953, Jan. 1, 1952] so that anyone could obtain such a license and thereby acquire the scratchers at any place, cannot be considered such an act as would fall within the District Court's ruling. The record and the law do not in any manner support this finding of the District Court and there is not any basis for the decision of the District Court that B & W sought to monopolize the sale of scratchers by virtue of the

Method Patent No. 2,338,372. As previously pointed out, even if such finding of *fact* could be supported, there is nothing in the Patent Law to condemn the practice of maintaining a monopoly in the sale of scratchers having no other commercial use than in the carrying out of the method as defined in the Method Patent.

**2. The Wright Patent No. 2,374,317, Exhibit 38,
Vol. VIII, Page 3487.**

This patent is the apparatus patent of B & W granted for a scratcher used in carrying out the method of the Patent Exhibit 37. This patent deals with a construction of scratchers suitable for presentation of the scratching fingers, or wires against the well wall so as to abrade the well wall to remove the mud and mud infested formation from the well wall to expose virgin formation so that an effective bond may be established between the permeable formation, the cement and the well casing. The claims of the patent were attained after interference with Hall and after Hall conceded under oath priority of invention to Wright. [Ex. V, pp. 3666, 3667.] The invention of this Wright Apparatus Patent, Exhibit 38, is set forth for example, in Claim 1 thereof.

The scratcher of this Wright patent includes a collar or inner sleeve 14 upon which abrading wires or fingers 22 are secured by means of clips or ribs 15, which are spot welded to the collar 14 and which confine the inner ends or shank portions 21 of the wires. The shank portions of the wires are secured in position against turning by being "riveted over" at 25 so that the spring shank is held in position. As shown in Figure 6 of the patent, each abrading wire includes a finger portion 22 having an abrading end 24 at its outer end and at its inner end a spring shank portion 21 which is formed at an angle to the finger 22 so that the finger 22 leaves the collar in angular relation thereto. At the inner end the spring por-

tion shank 21 is bent at 25 to form a holding section. The action of the abrading finger is as illustrated in Figure 2 to engage the well bore at the end 24 to abrade the same and this abrading is accomplished by the spring thrust imparted to the finger by the spring shank 21 which acts as a torque spring to hold the finger 24 in abrading contact with the well, much the same as the fingers of the hand might be spring urged against a surface so that the finger nails of each finger are caused to thrust into the formation and physically scratch or abrade a portion of the wall to expose the virgin soil.

The claims of the Wright Patent clearly define this invention. Claim 1 sets up the definition as a combination including:—the sleeve 14 having a plurality of abrading fingers 21 projecting from the sleeve in spaced relation to one another, the outer free ends 24 of the fingers 21 being adapted to engage the wall of the well bore into which the device is lowered and means constituting the spring shank mounting for yieldably supporting the fingers on the sleeve whereby the fingers may swing longitudinally, that is, in the direction of the length of the sleeve.

The operation of the scratcher is, as it is reciprocated upon a well casing, to abrade the surface of the well as that process of abrasion is photographically illustrated by Exhibit AAA. [Vol. IX, p. 3810.]

Exhibit AAA is a photograph of the inside of a test structure in which scratchers were reciprocated to trace the pattern of the ends of the wires in their abrading operation. In this photograph it will be noted that at the top and bottom of each stroke the direction of the movement of the scratcher was reversed and that the lines traced move in a general horizontal direction so that the scratcher wires move to a different position to abrade the well wall on each reversal of movement. This operation

enables the multiplicity of scratcher fingers carried by the scratchers of the Wright invention to completely cover the inner surface of the well bore, to completely abrade, to physically dig out the rotary mud and to remove by abrasion the rotary mud contaminated soil forming the well wall to expose virgin soil. The rotary mud is pushed out of the way by the incoming cement, surry or other sealing fluid, and an effective bond is had between such sealing fluid and the well bore and the casing to prevent intermixing of the fluids in the well, *i.e.*, gas, oil and water.

The District Court held this patent likewise invalid in view of unnamed prior art. Vol. I, pages 343, 344, the entire hold in this regard being:

“After full consideration of the claims of each of the patents in suit and in light of the prior art as disclosed by the evidence, I find and hold . . . Patent 2,374,317 (‘Well Production Equipment—Wall Cleaning Guide’) and each claim of each thereof, to be invalid for want of ‘invention.’” [Finding of Fact XXXIV, Vol. I, p. 383, is the same.]

The District Court at the trial of this cause requested plaintiff to designate the most pertinent art relied upon by plaintiff in its claim of invalidity of the Wright patents and plaintiff designated as the most pertinent art the Black and Stroebel Patent No. 2,151,416, when taken in conjunction with the Shaw Patent No. 764,784.

“The Court: What does the Plaintiff claim as the closest prior art to this claimed invention of Wright?

Mr. Scofield: The Method or Apparatus, Your Honor?

The Court: Both, or each.

Mr. Scofield: It is according to what method you were referring to. If it is the method that they have represented to the trade that the patent covers . . .

The Court: I am referring to the method described in the patent.

Mr. Scofield: As far as the method described in the patent, *Your Honor, I do not believe that there is any very good art.*

The Court: What about the device?

Mr. Scofield: The device, Your Honor, I think is pretty well anticipated by the Shaw Patent in connection with the patent to Black and Stroebel." [Vol. VII, pp. 3282, 3283.] (Emphasis ours.)

Neither the Black and Stroebel Patent nor the Shaw Patent deal with the primary invention of Wright in either the Method patent, Exhibit 37, the Apparatus patent, Exhibit 38, or the Plugging patent, Exhibit 39. These patents are not concerned with nor had their inventors conceived that an effective bond might be produced between the wall of the well bore, the casing and the sealing fluid by abrading the well surface to remove the rotary mud therefrom and replace the same with a sealing medium during abrasion. There is no hint or suggestion of this invention in either of these selected "best references." These patents do not disclose nor do they suggest the invention of the Wright Apparatus patent in the provision of spring urged fingers which are urged against the well bore wall so that the ends of the fingers act to abrade that surface. The subjects dealt with are: the Shaw Patent "Means for Cleaning Well Strainers" and Black and Stroebel Patent with the same subject, namely, a "Perforation Cleaner." The perforations referred to by Black are the same as the perforations of the well strainer referred to by Shaw. Both seek to remove from the well liner or strainer, the material which is clogging the passages or perforations thereto, so as to admit oil, gas or other fluid into the interior of the well production pipe so that the said fluid may be raised to the surface

of the well. Neither Black nor Shaw was concerned with whether or not this cleaning was effected by the ends, the sides or any other portion of the wires which they disclosed for brushing the material clogging the perforations out of the perforations. They were not concerned with nor did they conceive of abrading the material away and simultaneously replacing the same with a sealing fluid. Their purposes were not to "seal" but to open.

As testified to by Mr. Hall, these devices would be entirely unsuitable for and would not function as scratchers for carrying out the abrading of the wall of a well bore.

Hall's position is that wires which extend truly radially as shown by the Black and Shaw patents, cannot and will not function to perform the scratching operation and his position before the Patent Office was that the wires disclosed by Black *et al.*, and it must also be the same with respect to Shaw, because they extend in exactly the same manner, that the wires could not be reversed on reversing the reciprocation of the casing in the well, but that the wires would immediately break off so that the scratcher could not function to displace the rotary mud by abrasion and keep the rotary mud abraded and away from the well wall during the replacement of the rotary mud by the sealing fluid or cement slurry.

The Black and Stroebel Patent was before the Patent Office and was cited as a reference against all of the Wright applications. It was cited as a reference against the Hall applications. The claims in issue were allowed over this patent after full consideration thereof by the Patent Office.

No testimony was offered before the District Court with respect to either the Shaw or the Black and Stroebel patents, so that the District Court was in no better position to consider the relevancy of either of these references than the Patent Office. Hall's position with respect to the Black and Stroebel patent is set forth in the

Hall file wrapper, Exhibit 69, pages 98, 99 thereof, wherein Hall states:

“Operating scratchers where the wires extend radially from the support, reversal of direction of their travel not only causes the wires to move up and down in a vertical plane so that they scrape a straight line pattern on the well bore, but also doubles them back with each reciprocation soon resulting in either bending off the wires or failure from their assuming a permanent bend against the collar or casing. * * *

This leads us to the rejection on Black *et al.* in view of the Board’s decision. The structure of the Black perforation cleaner is not comparable to the device of Claim 18 or any of the other claims in this category. There is no support rotatably mounted on the exterior of the casing. Black’s device is a cylindrical tube from which radial wire abrading elements extend. The support or body of Black is threaded onto a set of jars or to a sinker bar or one or more sections of pipe which give it the required weight to force the cleaner into the liner. The liner is a slotted tube through which the oil enters the casing and the Black device is designed to clean the slotted openings in this tubular liner. Reciprocation of the Black cleaner within the liner scratches the inside surface along vertical lines and the lines are doubled back vertically on each reciprocation of the cleaner.”

The art selected as the “best” considered by the Patent Office, was distinguished by Hall and shown to be for another use, seeking another result by another mode of operation. It clearly has no effect to either invalidate or limit this Wright scratcher patent. Certainly the Finding of the District Court that the Wright Patent No. 2,374,317 is invalid in view of *unnamed* prior art cannot

be sustained, whereas here the art was before the Patent Office and there was no different evidence before the Court. The Black and Stroebel and Shaw Patents were placed in evidence without explanation, and no evidence was offered as to the facts of their disclosure.

3. The Wright Patent No. 2,392,352, Exhibit 39.

The District Court held the Wright "plugging" Patent No. 2,392,352, Exhibit 39, invalid—

"and each claim * * * thereof to be invalid for want of invention." [Vol. I, p. 344.]

The stated basis for this holding is found in the Memorandum of the Court, Vol. I, page 343, to be

"in the light of the prior art."

What that prior art is is not discernible from either the Findings of Fact or the Court's Memorandum. There was no art described to the District Court and no art which was in any way to be differentiated from the art before the Patent Office. Such a Finding of Fact is not to be sustained short of demonstration and no such demonstration is possible. This Wright patent relates to a method of plugging cement plugs or bridges in well bores. The Wright Plug Patent is directed to a particular application of the broader invention of the Method Patent Exhibit 39. It is addressed to the problem in well completion of attaining a complete shutoff at a desired point in a drill hole, *i.e.*, a well, when it is required that no casing or pipe be maintained within the well at the point of the "plug" or "bridge." The "plug" or "bridge" completely fills the hole, so that the problem was to attain a complete filling and attain a complete bond with the well wall. Exhibit 39, Vol. VII, page 3495, first column, second paragraph. The complete invention is adequately illustrated by Claim 1.

A cement plug is placed in the bottom of a well bore where it is desired to isolate the fluids from below the cement plug from entrance to the well bore. This operation is one which, previous to the Wright invention presented great difficulty. The article written by Jesse E. Hall, Sr., Plaintiff's Exhibit CT, entitled "Index to Well Completions" on page 9 states:

"A plug back job, one of the most difficult of cement jobs, becomes a simple operation when Weatherford Scratchers and Spiral Centralizers are used on the drill pipe."

In the method of the Wright patent, the scratchers referred to are mounted on the exterior of the drill pipe (rather than on the casing as in the prior Wright patents). The scratchers thus mounted on the drill pipe are lowered to the location where the cement plug is desired. The drill pipe is then reciprocated or rotated [Ex. 39, p. 2, Col. 1, line 18] so that the wire fingers of the scratchers abrade off the mud sheath from the formation where the cement plug is to be placed. While abrading is thus being performed, the mud fluid is forced through the drill pipe to carry away the material scratched from the walls of the well. [Ex. 39, p. 2, Col. 1, lines 21-23.]

The mud fluid is forced from the well by the use of a cement slurry pumped down through the drill pipe during reciprocation of the drill pipe so that the cement slurry moves the mud and material scratched from the well bore out of the well, preventing redeposit of the mud upon the permeable strata. The cement is then allowed to set and completely fills the well hole at the desired point, forming an intimate bond with the wall of the well bore. [Ex. 39, p. 2, Col. 1, lines 25-35.]

To permit the formation of the complete "Plug" or "bridge" the drill pipe together with the scratchers is removed from the well bore prior to the setting of the

cement. The art cited against the application which resulted in the Plug Patent, includes the earlier Wright Method Patent Exhibit 37. The application for the plug patent, like all the Wright applications, was rigidly examined by the Patent Office and the claims were allowed by the Board of Appeals.

It is submitted that the Plugging Patent is valid and has constituted a material advance in the art not disclosed or known prior to Wright's invention and, as stated by Hall, provided a very simple solution to this perplexing problem:

“A very simple operation when * * * scratchers * * * are used on the drill pipe.” [Ex. CT, *supra*.]

C. THE ERROR OF THE DISTRICT COURT IN FAILING TO FIND INFRINGEMENT BY DEFENDANTS OF THE LETTERS PATENT, EXHIBITS 37, 38, 39.

(1) Infringement of the Wright Method Patent No. 2,338,372, Exhibit 37.

The District Court Memorandum, Vol. I, page 333, and the Findings of Fact and Conclusions of Law, Vol. I, page 368, contain no ruling, holding or findings on the question of infringement.

The method used by defendants has been referred to in the record and in the publications of the defendants, as the “Weatherford Formula.” The Weatherford Formula utilizes every step of the method set forth in the claims of the method Patent Exhibit 37. This fact was admitted by Plaintiff Hall when he copied all of the claims of Exhibit 37 for the purpose of interference. To avoid the charge of infringement it would be necessary for plaintiffs to urge that the court should read some limita-

tion into the claims of the patent which are not therein set forth. Limitations are not to be read into the claims.

Martin et al. v. H. C. Miller Co., 63 F. 2d 5, 7 (7 Cir.);

Farrington v. Haywood, 35 F. 2d 628, 630 (6 Cir.);

Smith v. Snow, 294 U. S. 1;

Electric Machinery Mfg. Co. v. General Electric Co., 88 F. 2d 11, 16 (2 Cir.).

A process patent is not avoided by one who utilizes the process but in carrying out the process employs a different form of apparatus.

Tilghman v. Proctor, 102 U. S. 707, 730, 26 L. Ed. 279;

Smith v. Snow, 294 U. S. 1, 20, 79 L. Ed. 721, 732;

Waxham v. Smith, 294 U. S. 20, 23, 79 L. Ed. 733, 735;

Moore Filter Co. v. Tonopah-Belmont Development Co., 201 Fed. 532 (3 Cir.).

Plaintiffs have offered no evidence to distinguish the process they employ, instruct and in fact carry out at the well, from the teachings and claims of the Wright Method Patent, Exhibit 37. That infringement of the patents exists is not refuted in any manner.

Union Oil Co. of California v. America Bitumuls Co., 109 F. 2d 140.

Proof of infringement in this case is established through the testimony of John E. Hall, which testimony establishes the fact that plaintiffs were at the wells, carried on the method operations themselves and instructed the crews as to the operations to be performed. The de-

defendants in this case are direct infringers and no reliance upon the doctrine of contributory infringement is required. However, the defendants are clearly likewise liable in this case on the doctrine of contributory infringement in that they instruct, direct and supply the instrumentalities for the carrying out of the patent in suit, and which apparatus has no other reasonable use so that it is

“not a staple article or commodity of commerce suitable for substantial non-infringing use.” (35 U. S. C., Sec. 271(d).)

(2) Infringement of the Wright Scratcher Patent No. 2,374,317.

The Wright Patent Exhibit 38 discloses and claims the first successful well completion scratcher. The patent is primary in character. Before Wright's invention, the art had no such thing as a scratcher for use in well completion work. A primary patent which discloses a device, method or art which was never before successfully performed, is a “primary or generic patent.” Prior to the Wright invention, there was no “art of scratching.” That such a patent is for a primary invention is established in:

Morley Machine Co. v. Lancaster, 129 U. S. 263, 32 L. Ed. 715;

Celluloid Mfg. Co. v. Arlington Mfg. Co., et al., 44 Fed. 81 (C. C., N. J.);

National Cash Register Co. v. American Cash Register Co., 53 Fed. 367, 372 (3 Cir.);

Boston Lasting Mach. Co. v. Woodward et al., 53 Fed. 481 (C. C. Mass.).

Patents for primary inventions are to be broadly construed and are entitled to a liberal range of equivalents:

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U. S. 405, 52 L. Ed. 1122;

National Hollow Brake-Beam Co. et al. v. Interchangeable Brake-Beam Co., 106 Fed. 693, 710-711 (8 Cir.);

Walker or Patents (Deller's Ed.), Vol. 3, Sec. 471, p. 1709;

Dean Rubber Mfg. Co. et al. v. Killian, 106 F. 2d 316, 319 (6, 7) (1939);

Smith, Kline & French Laboratories v. Clark & Clark, 157 F. 2d 725, 729 (12, 14).

The Wright Patent, Exhibit 38, shows the Wall Cleaning Guide as first commercially used in the Union Oil Company wells in the Rosecrans field in March, 1940. Exhibits 184, 185. Before the District Court defendants relied upon Claims 1, 2, 5, 6, 10 and 15 of the Wright patent as clearly infringed by the plaintiff's scratchers. That the plaintiff's scratchers infringed the claims of this patent is clear. In Exhibit L published by plaintiff on page 2, the number of the patent Exhibit 38 is pleaded below the picture of the Weatherford Scratcher, giving notice to the trade and the world at large that the Weatherford Scratcher was built under the Wright Patent Exhibit 38. In the photograph, Figure 7 of the Weatherford Catalog Exhibit L, the scratcher is mounted on a tubular casing to be permanently installed in a well as required by claims 1, 2, 5 and 6 of Exhibit 38. As shown in Exhibit NN, page 2, the Weatherford Scratchers are installed in perforated casing liners as required in Claim 15. The physical exhibit of the Weatherford Scratcher, Exhibit 45, shows clearly that the same includes a sleeve or collar which is intended to be mounted upon a wheel casing. The Weatherford scratcher includes a plurality of abrading fingers which extend outwardly from the sleeve in spaced relation to one another, as that combination is defined in Claims 1, 2, 5, 6, 10, 15. The fingers of all of the scratchers extend in a radial

plane and extend outward to cause the ends of the fingers to abrade the wall of the well bore for the purpose of abrading or grinding the rotary mud from the well bore surface. The same operation is performed by the fingers 22 of the Wright Exhibit 38. It is thus clear that the Claims 1, 2, 5, 6, 10, 15 find their literal correspondent in the Weatherford Scratchers, so that it becomes apparent why Jesse E. Hall, Sr., admitted that the Weatherford Scratchers infringed the Wright Patent Exhibit 38. [Vol. II, p. 994.]

The single difference between the Weatherford Scratcher and the Scratcher of the Wright Patent Exhibit 38, lies in the substitution in the Weatherford Scratchers of the coil spring for the torque type spring used by Wright, together with a modification as to the degree of sidewise inclination of the scratcher fingers. That the torque spring and coil spring constitute well known equivalents for one another is too well known in the arts to require extended argument. It is established through the testimony of defendants' expert, Mr. Dobbie, [Vol. 7, pp. 3074 to 3076], and through the testimony of Mr. Wright. It is not denied in any place in the record on behalf of Hall. That there is substantial identity in mode of operation, structure and combination of elements is clear from an optical comparison of the physical exhibits of these scratchers. [Exs. CK and EG.]

Not only is the foregoing true, but the record contains letters written by attorney Scofield to the Texas Company notifying the Texas Company that it was the intention of attorney Scofield to institute suit against the Texas Company for infringement because they were utilizing the Multiflex and Nu-Coil scratchers of B & W. The theory behind this letter was that Hall had an exclusive license under the patent to the form of scratchers illustrated by the Multiflex and Nu-Coil scratchers. It is contended by Hall that the Nu-Coil scratcher is a duplicate of the

Weatherford scratcher. Thus, in Exhibits HHH, Vol. IX, page 3786, attorney Scofield, representing Hall, wrote the Texas Company:

"On behalf of my client Jesse E. Hall, Sr., you are hereby notified that the purchase and use by the Texas Oil Company of B & W 'Nu-Coil' and 'Multiflex' scratchers is an infringement of the Wright Patent 2,374,317 in view of an exclusive reservation granted Hall under an existing contract between J. E. Hall, Sr. and Kenneth A. Wright of B and W, Inc. and under which contract Mr. J. E. Hall, Sr., was granted the right to sue for infringement of the patent above referred to."

In Exhibit III, written July 28, 1950, to Mr. Stratford of the Texas Company, attorney Scofield stated:

"The Texas Company still persists in purchasing the 'Multiflex' and 'Nu-Coil' scratchers from B and W in Texas, Louisiana and in California, so it appears it will be necessary for us to take more drastic action."

With this letter attorney Scofield forwarded to Mr. Stratford of the Texas Company, in New York, a copy of Exhibit HHH hereinabove quoted. Thus we have an admission of infringement by plaintiff Hall, and an assertion of the Wright scratcher patent, Exhibit 38, and of the right to bring an action for infringement under the said patent by Hall's attorney, and we have here no attempt to distinguish the claims of the Wright patent from the Weatherford scratcher. Infringement is clearly established. There is substantial identity resulting from copying of the Wright scratcher by Hall as Hall saw that scratcher in use and tested by the Union Oil Company at

Dominguez Hills and as that scratcher is illustrated in Exhibit X.

“There is a substantial identity, constituting infringement, where a device is a copy of the thing described by the patentee, ‘either without variation, or with such variations as are consistent with its being in substance the same thing.’ Burr v. Duryee, 1 Wall. 531, 573, 17 L. Ed. 650, 658. Except where form is of the essence of the invention, it has little weight in the decision of such an issue; and, generally speaking, one device is an infringement of another, ‘if it performs substantially the same function in substantially the same way to obtain the same result. * * * Authorities concur that the substantial equivalent of a thing, in the sense of the patent law, is the same as the thing itself; so that if two devices do the same work in substantially the same way, and accomplish substantially the same result, they are the same, even though they differ in name, form or shape,’ Union Paper-Bag. Mach. Co. v. Murphy, 97 U. S. 120, 24 L. Ed. 935, 936. * * *”

Sanitary Refrigerator Co. v. Winters, 280 U. S. 30, 39, 41, 74 L. Ed. 147, 156.

“* * * The contention that the casing does not infringe is based upon this slight difference in form between a section of that casing and a section of a casing embodying one or more of the claims of the patent. The meaning of those claims is to be determined by considering, not solely the language thereof, but also the patent drawings, and statements and descriptions contained in the specification; Brooks v. Fiske, 15 How. 212, 14 L. Ed. 665; Fuller v. Yentzer, 94 U. S. 288, 24 L. Ed. 103; Mossberg *et al.* v. Nutter *et al.* (C. C. A.), 135 F. 95 * * * Nothing in the letters patent indicates that the patentee believed or contended that straightness of the

surface of a section in the direction of the water flow contributed in the slightest degree to the merit or value of his invention.”

Allis-Chalmers Mfg. Co. et al. v. Columbus Electric & Power Co. et al., 19 F. 2d 860, 864 (5 Cir.).

If it could be argued that Hall's scratcher is an improvement over the scratcher of the Wright Patent, Exhibit 38, such fact of improvement does not avoid infringement of this Wright patent.

“* * * Doubtless this was an improvement which was, perhaps, patentable, but none of the tribunals in the Patent Office proceedings deemed this to be more than an improved equivalent of the trough, which did not take these machines out of the domination of the claim awarded to Dickinson. As the Dickinson patent is a generic patent, the doctrine of broad equivalents properly applies here. *Morely v. Sewing Mach. Co.*, 129 U. S. 263, 273, 32 L. Ed. 715, 719, 9 Sup. Ct. Rep. 299; *Miller v. Eagle Mfg. Co.*, 151 U. S. 186, 207, 38 L. Ed. 121, 130, 14 Sup. Ct. Rep. 310; *Continental Paper Bag Patent Case*, 210 U. S. 405, 52 L. Ed. 1122, 28 Sup. Ct. Rep. 748.”

Hildreth v. Mastoras, 257 U. S. 27, 36, 66 L. Ed. 112, 117.

As to the employment of obvious equivalents as was done by Hall in the substitution of a coil for a torque spring, such use of equivalents clearly does not avoid infringement. See *Sanitary Refrigerator Co. v. Winters*, 280 U. S. 30, 42, 74 L. Ed. 147, and *Graver Tank and Mfg. Co. v. Linde Air Products Co.*, 339 U. S. 605, 607, 94 L. Ed. 1097, at 1101.

As Jesse E. Hall, Sr., testified:

“The Witness: My opinion was then and it is now, that the Multiflex and Nu-Coil installed the teachings of the B & W Apparatus Patent 2,374,317.

The Court: Exhibit 38.

The Witness: Exhibit 38. They would infringe.”
[Vol. 2, p. 994.]

**(3) Infringement, Wright Plugging Patent No.
2,392,352, Exhibit 39.**

The use of the Plugging Patent by plaintiffs is fully shown in the record not only in Exhibit CT, but in page 7 of Exhibit 4 where under the title “Other Scratcher Uses” it is stated by Hall in this Weatherford catalog on drill pipe or tubing for cement plug back jobs and in the Weatherford catalog, Defendant’s Exhibit L, page 9, where it is described:

“The PLUG BACK STINGER is another Weatherford innovation which has been in use for several years. It transforms the installation of a cement bridge or a bottom hole plug into a simple operation. The scratchers are spaced two feet apart from the bottom to a reasonable point above the calculated cement fill in order to take care of any miscalculations in the cement top. The scratcher stinger should be worked up and down as much as possible to remove mud cake, to puddle the cement back into the walls, and to eliminate channelling and resulting fluid flowbacks. The same scratchers can be used on several plug back jobs.”

The method thus described contains all of the steps of the Wright Plugging Patent in the same sequence and for producing the same result. A sample demonstration of

infringement is from the steps of the claims of this Method patent which are:

“1. Mechanically abrading the wall of the well bore at the zone in which the plug is to be formed by operating an abrading means in said zone of the well.”

As set forth in the above quotation from Exhibit L, this step is clearly performed when utilizing the Weatherford scratcher in the plug back operation where the scratchers are reciprocated up and down to remove the mud cake at the point where the plug is to be formed.

Secondly, this claim calls for the step of circulating the liquid in and out of the well bore to remove the dislodged extraneous material. As stated in Exhibit CT, Hall, in carrying out this method circulates the mud fluid. Exhibit CT on page 9 thereof sets forth the description of the plug back job and points out on page 10:

“The pipe should be reciprocated several times, when the scratchers and spiral centralizer are at each gas sand, and the well should be circulated when so doing.

“Pipe sticking problems produced by bad filter cake conditions can be remedied merely by running the scratcher-centralizer assembly to the bottom of the hole, pumping the circulation completely around, and pulling it out again.”

The further step of the claims, as for example, Claim 1, requires delivering a quantity of cement slurry to the zone at which the plug is to be performed in the well and while mechanically agitating the mass of cement by the brading method. The employment of this step is described in Exhibit L, wherein it states that the scratcher

stinger should be worked up and down as much as possible

“to puddle the cement back into the walls,”

i.e., the operation of mechanically agitating the cement by the abrading means during the cement placement.

The claims of this plugging patent then require the removal of the pipe and abrading means stating:

“thereafter withdrawing the abrading means from the mass of cementitious material, and then allowing the cement to set.”

That this operation is performed in accordance with the teaching of the Weatherford catalog is clear from Exhibit 11, which states:

“The same scratchers can be used on several plug back jobs.”

It is clear that plaintiffs have copied studiously each of the inventions of Wright after having observed the success of those inventions in practice and as the same were demonstrated by the Union Oil Company and to the trade at large. Except for the inventions made by Wright, there would be no scratching business today. Hall has carefully, strictly and methodically copied and utilized all of these inventions without material change or alteration. Infringement is evident.

D. THE DISTRICT COURT ERRED IN FINDING THE DEFENDANTS WERE IN COURT WITH UNCLEAN HANDS.

The District Court in its Memorandum, Vol. I, page 340, seeks to make applicable the doctrine of “unclean hands” but does not apply this doctrine to any act or evidence of any act performed by B & W. The only way in which it can be asserted that this doctrine is ap-

plied to B & W is by reference to the Court's Memorandum, the third paragraph of page 342, where it is stated:

"and the counter-claims asserted by defendants Wright and B & W, Inc. for unfair competition, will be dismissed for want of equity."

The Findings of Fact and Conclusions of Law are just as nebulous. Finding XXXV, Conclusion B, Vol. I, page 383:

"Plaintiff, plaintiff-interveners and defendants and counter-claimants come into this Court with unclean hands and did not, during the continuance of this controversy, maintain their hands clean, so that all relief is denied plaintiff, plaintiff-interveners, defendants and counter-claimants upon the merits of their respective claims."

Any effort made to support this Finding of the court would show that the acts on behalf of B & W in support of such Finding are:

1. Sending of notices without intent to sue.
2. Asserting the Method Patent No. 2,338,372, Exhibit 37, when it does not mention cementing.
3. Forming Scratchers Inc. and purchasing the Black and Stroebel patents and filing suits thereon.
4. Other practice techniques of their own to influence the placing of business by the larger oil producing companies.

We have already shown under Subdivision IV, B, 1(a) and 1(b) of this brief that the asserting of the Method Patent could not by fact or law constitute such unclean hands or unfair competition. We will show under Subdivision D(2) that Scratchers Inc. suits have been dismissed without prejudice and could not be considered as an act of unclean hands or unfair competition. We shall

show under Subdivision D(3) that B & W has not employed "practice techniques." B & W has filed no suits and has at all times sought relief from the District Court to arrest the activities of Hall.

1. The Sending of Notices Without Intent to Sue.

The District Court holding that the sending of notices without the intent to sue is an act of unfair competition, is without support in fact or law. A search of the records will show that B & W notified Shell and Standard Oil Company and Gulf and perhaps others, that it, B & W, held the Letters Patent in suit. The sending of such notices is entirely lawful and indeed is recognized as a preliminary requisite to the right of recovery.

35 U. S. C., Sec. 287.

This court has established the validity and in fact the necessity of such notices. In *Celite Corporation v. Dicalite Co.*, 96 F. 2d 242, this court stated:

"There is nothing wrong in notifying infringers that they are guilty of infringement and are liable therefor. Indeed such notice is required in some fashion before suit for infringement can be maintained."

The District Court did not find either in its Memorandum or Findings, that such notices were not sent in good faith or that such notices were sent without probable cause. The one element specifically set forth by the Court is that the notices were not sent as a preliminary to suit. The law has no such requirement. The theory of the patent statute as set forth in 35 U. S. C., Section 287, is that one manufacturing under a patent should notify the trade of that fact either by marking the device with the patent number or by giving written notice to purchasers of that equipment. If the fallacy of the

District Court decision were followed to its logical conclusion, suits for infringement would of necessity have to follow the giving of the notice in either of its forms as recognized under 35 U. S. C., Section 287.

It is recognized that patent litigation is expensive and is to be avoided wherever possible. In *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6th Cir., 1931), 52 F. 2d 783, there was an analogous situation where the plaintiff filed suit for unfair competition and the defendant counterclaimed asserting infringement of its patents. At page 785 in discussing the charge of unfair competition, the court stated:

"We cannot agree with the conclusion below that the defendant had been guilty of any conduct properly classified as unfair competition. In a general way the situation was not the uncommon one where the older manufacturers has patents which seemed to cover the competitive article. The patents are presumably valid. Litigation is expensive and to be avoided if possible. Notices to the competitor that he is infringing and perhaps to the manufacturer for the competitor, and to a limited number of his chief customers, are the normal procedure and not to be condemned, when characterized by good faith."

In this case it is shown that Hall and his attorney Scofield were fully cognizant of their rights and had as early as August, 1946, advised B & W of their intent to bring suit for reformation of the contract, Exhibit 34 and for declaratory judgment. Scofield's Memorandum of the California Club meeting, Exhibit 171.

This action was instituted on December 12, 1947. From then on the litigation certainly served as a test with respect to the validity of the patents in suit and the claims and rights of the parties engaged in the action. Certainly this court would have condemned defendant in bringing

suits against customers of plaintiff while this action was pending and such condemnation would have been well deserved, had the defendant followed its notice by bringing suits. On the contrary, the character of the notices sent by the defendant to the trade and the contracts of the defendants with the trade are illustrated by the testimony of A. M. Houghton, patent counsel for the Gulf, a witness called by plaintiff, who testified:

“Mr. Decker and Mr. Wright both stated they had no present intentions of bringing suit against Gulf for infringement of the Wright patent and definitely stated that they would not claim damages for any of the cementing work done by Gulf in the past. They repeated their remarks that they were interested only in obtaining a fair share of Gulf’s scratcher purchases.” [Vol. II, p. 594.]

This is the evidence and only evidence upon which the court could rely in holding as it did that the notices were sent without intent to sue. There is no other evidence throughout the record upon which the holding of the court or lack of intention to sue could be based. How it can be held to be unfair competition for a holder of a patent to state that he holds the patent, will not bring suit on it, but only wants a fair percentage of a customer’s business, is beyond the comprehension of B & W. Where is any element of bad faith exhibited by such notice and bad faith is an essential to any holding of unfair competition based upon the sending of patent notices as was established by this court in the *Celite Corporation v. Dicalite Co.* case (*supra*). In fact it is a prerequisite of all holdings of unfair competition based upon the dealings of the party with respect to the patents which he holds.

See *Circle S Products Co. v. Powell Products, Inc.*, 174 F. 2d 562 (7th Cir., 1949). Here holding of unfair competition was sustained because it developed that

the party sending the notice of patent infringement had no patents when the notices were sent upon which an action for patent infringement could have been based.

In *Metro-Goldwyn-Mayer Corporation v. Fear*, 104 F. 2d 892 (9th Cir., 1939), this court held that it was unfair competition for the holder of a patent on a machine for processing film to threaten patent litigation against a film exhibitor where he owned no patent on the product which the film distributor was exhibiting.

In *Adriance, Platt & Co. v. National Harrow Co., et al.*, 121 Fed. 827 (2d Cir., 1903), the court stated that sending of notices of infringement to customers is not unfair competition where such notices were sent in good faith and in an honest effort to protect the patentee's rights.

In *Kaplan, et al. v. Helenhart Novelty Corporation, et al.* (2d Cir., 1950), 182 F. 2d 311, it appeared that defendant had sent a notice of infringement in January, 1948, to plaintiff manufacturing company and to three of plaintiff's customers. Later in the year, in September, 1949, a second notice was sent to plaintiff and to a customer of plaintiff's. On October 7, 1949, the plaintiff sought declaratory judgment seeking a holding that the plaintiff's patents were invalid and not infringed and for a holding that the patent holder was guilty of unfair competition based upon the sending of the notices of infringement. The lower court granted an injunction pending litigation against the sending of further notices on the part of the patentee. The Court of Appeals for the Second Circuit reversed the lower court, stating:

"As will be seen, this phase of the appeal turns on whether such a finding was justified on this record, since it is not an actionable wrong for one in good faith to make plain to whomsoever he will that it is his purpose to insist upon what he believes to

be his legal rights, even though he may misconceive what those rights are. *Eastern States Petroleum Co., Inc. v. Asiatic Petroleum Corporation, et al.*, 2 Cir., 103 F. 2d 315. And this has long been recognized in respect to patent rights. *Kelley v. Ypsilanti Dress-Stay Mfg. Co.* (C. C. E. D. Mich., 1890), 44 Fed. 19, 23, 10 L. R. A. 686; *Virtue v. Creamery Package Mfg. Co.*, 8 Cir., 179 F. 115, 120. As was observed when the judgment in the case last mentioned was affirmed by the Supreme Court, 227 U. S. 8, 37-38, 33 S. Ct. 202, 208, 57 L. Ed. 393, 'Patents would be of little value if infringers of them could not be notified of the consequences of infringement * * *.'

"While the privilege to try by notice to persuade acquiescence in one's assertions of his rights may not be exercised in bad faith, some confusion has at times crept into findings of bad faith because the distinction between the lack of an honest belief in the legal rights asserted and the lack of any intention to vindicate them by a timely suit has not been kept clear. Unreasonable lapse of time after notice given is evidence of lack of intention to sue and, to a lesser degree, of lack of an honest belief in the validity of the asserted right. Before the Declaratory Judgment Act, 28 U. S. C. A., §2201, became effective and was construed to permit suit for declaration of invalidity or non-infringement, unreasonable delay in bringing suit after notice was alone sufficient to end the privilege. It really made no practical difference, as long as the giver of the notice could alone decide whether and when suit would be brought, whether he honestly believed in his rights but was unwilling to sue for some other reason or whether he was unwilling to sue because he was too doubtful of them to risk litigation. Consequently, unreasonable lapse of time without suit after notice

would lay the basis for an injunction against further notices. *Adriance, Platt & Co. v. National Harrow Co.*, 2 Cir., 121 F. 827.

"We have no hesitation in reaching the conclusion that this record contains no substantial evidence to show that the defendants did not and do not reasonably believe that their patent is valid and has been infringed as they have asserted. The patent is presumptively valid; the Patent Office file wrapper and contents of the patent show, defendants' counsel avers, that all of the claims of the patent were allowed, as filed, without the citation of any prior art; and the allegations of infringement do not appear to be frivolous. Thus, the only evidence of bad faith is the defendants' failure to sue promptly. But the plaintiffs have continuously had a plain and complete remedy for any wrong done them, in that they could have brought this suit whenever they pleased after the first notice was given, instead of waiting as they did, since an actual controversy between the parties existed at least during all that time. Any delay in putting the defendants' asserted rights to the test of actual litigation was, therefore, only what the plaintiffs chose to permit, and, as the suit is as timely as they chose to make it, their motion for a temporary injunction stands no differently than it would have if the defendants had sued promptly after notice given."

See *United States Galvanizing & Plating Equipment Corporation v. Hanson-Van Winkle-Munning Co.* (4th Cir., 1939), 104 F. 2d 856; *Sharnay Hosiery Mills, Inc. v. Sanson Hosiery Mills, Inc., et al.* (D. C. E. D. Pa., 1951), 109 Fed. Supp. 956; *Bechik Products, Inc. v. Flexible Products, Inc.* (2d Cir., 1955), 225 F. 2d 603. and *Stadium Mfg. Co., Inc. v. Plymouth Pajama Corporation* (D. C., D. Mass., 1937), 24 Fed. Supp. 779.

2. Forming Scratchers Inc., and Purchasing the Black and Stroebel Patent and Filing Suit Thereon.

The District Court found that defendant:

“In addition to opposing Hall at every permissible stage and by every permissible proceeding in the United States Patent Office, they caused to be organized ‘Scratchers, Inc.,’ a Nevada corporation, and caused it to acquire legal title to the Black Patent No. 2,151,416 and to file three suits in Texas and Oklahoma against one of plaintiff-intervenors or one of their customers alleging infringement of the Black patent.” [Vol. I, p. 339.]

The suit filed on the Black and Stroebel patent by Scratchers Inc. was dismissed on stipulation and without prejudice and without determination of the merits. [Exs. 143 through 145.] They have not been refiled. There was no publicity given to the filing of such suits by Scratchers Inc. The Black patent referred to by the court is the Black and Stroebel patent which was the principal reference relied upon by the Patent Office against the applications for the Wright Patents, Exhibits 37 and 38. It was the “best reference” relied upon in this action. The Black and Stroebel patent was acquired by Scratchers Inc., which was a corporation formed as testified to by Mr. Wright by:

“Myself, Mr. Barkis and I believe one of his sons residing in Texas, somewhere near Liberty, Texas; another gentleman in Houston, Texas, that I for the moment can’t remember but I will ask him and obtain it; Mr. Barrick of Pasadena, California, and Mr. Donald R. Wright, my brother, attorney in Pasadena.” [Vol. VI, p. 2865.]

This corporation purchased this "best reference." In the actions filed by Scratchers Inc., as will be shown by the files of such actions which are here in evidence, a counterclaim was filed by Hall as a third party defendant. These actions therefore could not have been dismissed on a motion of Scratchers Inc. Hall could have successfully resisted any attempt to avoid the determination of the merits of these actions. The actions were as previously stated, dismissed by stipulation and without prejudice and without costs to either party. What element of bad faith is involved in the filing of this action is not determinable from the court's Memorandum or the Findings of Fact and Conclusions of Law. There was no such bad faith. To sustain the District Court holding in this regard, if it could possibly be sustained, would be to require B & W to refile this action and prove the merit of the actions thus instituted. Before the District Court, the action of dismissing these actions was explained to the court. The simple reason was that B & W in the suits which had been instituted, found it so involved in litigation that it was impossible to properly maintain the prosecution of any action. Mr. Wright so testified, Vol. VI, pages 2866, 2867. There is no reported decision of which B & W is aware or can find, which holds that the bringing of an action of any character and which action is subsequently dismissed, and by stipulation, constitutes unfair competition.

3. Employment of Practice Techniques to Influence the Placing of Business by Large Oil Companies.

The District Court in its Memorandum held:

"Much of this litigation was commenced to serve as a basis for sales propaganda to the trade in the state or county where filed. Each side employed practice techniques of their own to influence the placing of business by the larger oil producing companies.

Such techniques involved everything from a veiled threat to adroit suggestion in an effort to cause the oil companies to feel more secure patent-infringement wise if they would direct their business to one side or the other." [Vol. I, p. 339, Memorandum of the District Court.]

The only litigation, the starting of which could in any way be related to B & W, were the Scratcher Inc. suits above referred to. As above pointed out, there is no evidence that there was any publicity given to this suit or these suits by B & W. There is no evidence that the Scratcher Inc. suits serve as a basis for sales propaganda. As above pointed out, those suits were filed by Scratchers Inc., who purchased the Black and Stroebe patent, the best reference against the Wright patents, on advice of counsel and in the belief that they had a good cause of action. There having been no determination of the merits of such cause of action, it having been dismissed without prejudice and by stipulation, there is certainly no unfair competition or unclean hands involved in the Scratchers Inc., action.

What constituted the practice techniques employed by B & W to influence the placing of business with B & W by the large oil companies is not discernible in either the court's Memorandum or from the Findings of Fact or Conclusions of Law. There is no indication that any such techniques were employed unlawfully or in bad faith or that they constituted more than lawful competition. It will be obvious to this court that any two competitors employ practice techniques saleswise in order to obtain the business from their customers. Such techniques clearly are not unlawful and do not constitute either unclean hands or unfair competition. There certainly can be no charge of unclean hands or unfair competition in the holder of a patent indicating to a customer that it, in this case, B & W, was the only company which held

patents directed to the scratchers or the method of well completion involved in this case.

The patents are presumably valid and infringement is clearly demonstrated in this brief. In fact it is admitted. No act was performed by B & W which could be classified as an unlawful technique or a technique practiced in bad faith and which was not fully grounded and based upon the fact that B & W held the Letters Patent in suit which could be pointed to as constituting either unclean hands or unfair competition. Such a finding is too nebulous to be sustained and is clearly not based upon or supportable by any evidence found in the voluminous record before this court.

E. THE DISTRICT COURT ERRED IN DENYING DEFENDANT RELIEF ON ITS COUNTERCLAIM ON THE THEORY THAT DEFENDANT HAD RESORTED TO SELF-HELP.

The District Court, in its Memorandum, Vol. I, page 340, held:

“While pretending to look to this court of equity for justice each side set about through myriad methods of self-help to make their own justice.”

This holding is set forth in Findings of Fact XXV, A, Vol. I, page 381, and is likewise set forth in Conclusion of Law, C, Vol. I, pages 383, 384. There is no instance in this action where B & W, following the commencement of this action on December 12, 1947, took any steps which could be properly classified as “self-help.” During the pendency of this action, B & W kept the Gulf continuously advised of defendant’s activities in this case and in the proceedings pending before the United States Patent Office. This information had been requested by Gulf Company and was supplied to that company by both Hall and B & W. A. M. Houghton, Chief of the

Gulf Patent Department, so testified. [Vol. II, page 573.] The only other instance which the court might have had reference to in this record is the defendant's marking of its invoices after this suit was filed, with the \$.60 royalty notice. This \$.60 royalty notice was placed by B & W, Inc. on its invoices on advice of counsel, and within the ruling of this court in the *Petrolite* case (*supra*).

B & W at that time was charged with the violation of the anti-trust laws because of its failure to so mark its invoices. There is no other act which can be shown that was instituted by B & W and which could be classified as self-help. It is obvious that the District Court erred in including B & W in this phase of its Memorandum and B & W is at a loss to answer a Finding, Conclusion or the Memorandum of the Court, which is of such a nebulous character as is the Memorandum, the Finding prepared in accordance therewith or the Conclusion of Law based upon the Finding, which does not point out in any way, any act of self-help resorted to by B & W. B & W at all times in this action has looked to the court for its relief.

On the contrary, in this action, Hall and his companies have continuously paraded a series of acts before the trade in an effort to keep B & W from getting even "its fair share" of the business at any place in the world. It has instituted two actions in Canada against B & W. It has instituted two actions in Venezuela against B & W and its distributors. It has filed an action in Houston, Civil Action 5168, dismissed March 30, 1951, without prejudice and after dismissal has refiled the same action or substantially the same action, in Houston, Civil Action No. 6797. Finding XXII. Hall has also filed an action in Mexico which is now pending on appeal to the Supreme Court in Mexico, with respect to the Hall Mexican Patent No. 47661, Finding of Fact XXI, Vol. I, page 380, and in addition thereto has filed during the pendency

on the customers to tell them that was the method—that was the principal reason.” [Vol. VII, p. 3193.]

This is the self-help to which the Court’s Memorandum is applicable. Further on interrogation of Hall, Jesse Ed Hall testified:

“The Court: Just a moment. I would like, as long as we are on this subject, to ask, how did you happen to choose \$2.50? Was that because it was somewhere near four times 60 cents?

Witness: No, sir. Knowing that the cost of selling this material and running it, which runs about 55 per cent, and the cost of manufacturing, I had taken the profit, a portion of the royalty that they would have and a portion of the profit.

“Court: So that the 65 cents that B & W was stamping on the invoice was too low?

Witness: No, they were sending out, collecting their profit in the \$6. They were only just setting a 50 cent rate and telling the customer they are not charging them any more. What they really were doing, they were saying, we are merely informing you that we have got this patent and this is the steps of it. It was all over. I don’t believe there is an oil field that is drilling that you don’t see those boxes with that all over it. And I haven’t found a filing cabinet of any purchasing agent all over the country but what they have the same thing in it. And it was something that we just had to overcome because within three months we lost four of our district salesmen who went to them. They couldn’t combat the idea of having the patent number on the thing, that it covers all the steps that we were using.

“Court: You felt you had to use some of the same methods?

Witness: Something or other to call attention to them, to cause them to stop.

Court: On the old theory of the way to fight fire is with fire." [Vol. VII, pp. 3193, 3194.]

B & W had no purpose in stamping its invoices with the \$.60 royalty notices other than to comply with the ruling of this court in the *Petrolite* case. The stamping of the invoice with the notice caused B & W difficulty with its customers. In fact as soon as the stamping became evident to the Gulf, they instructed that no more scratchers would be purchased from B & W on invoices bearing such a stamp. This fact was communicated by A. M. Houghton of the Patent Department of the Gulf to counsel for B & W. It was necessary for counsel for B & W to make a trip to Washington, D. C., to straighten the matter out with Gulf, and it was only after counsel for B & W wrote Gulf a letter, that it did not consider that Gulf's purchasing the scratchers of the invoices so marked constituted a recognition by Gulf of the patents, that Gulf would resume the purchasing of scratchers from B & W. Such notices were detrimental to B & W's business so that when Hall objected to the sending of such notices, before the District Court, B & W acceded to the demand of Hall that B & W be enjoined from further stamping its invoices. It is submitted in this regard that the evidence clearly supports the court's decision that plaintiffs Hall were guilty of unfair trade practices and came into court with unclean hands and have resorted to self-help throughout the period of time when this action was pending before the District Court. On the contrary, it is submitted that there is no evidence before this court of any act performed by B & W or Wright or performed upon their behalf which constituted either unfair trade practice, unclean hands or self-help.

F. THE DISTRICT COURT ERRED IN FAILING TO APPLY THE DOCTRINE OF THE SUPREME COURT IN THE PRECISION INSTRUMENT COMPANY CASE NO. 324 U. S. 806.

The Supreme Court of the United States in the *Precision Instrument Company v. Automotive Company*, 324 U. S. 806, at 818 stated:

“Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings, have an uncompromising duty to report to it all facts concerning possible fraud or inequitable-ness underlying the applications in issue.”

Hall before the Patent Office, not only totally disregarded the Supreme Court's admonition, but:

1. Argued to the Board of Appeals of the Patent Office in order to convince that Board of the patentability of the Weatherford Scratcher, that the Wright Scratcher of the Jones and Berdine test was not a rotatable scratcher. This, Hall and his attorney, who made the argument, knew to be false as established from the letter written by John Hall to Thomas Scofield on June 2, 1945, Exhibit 194, 195, 196. That the patent office relied upon this misrepresentation is shown by the decision of the Board of Appeals. [File wrapper, Ex. 69, pp. 131, 132.] The Board of Appeals held that they allowed the claims in the Hall patent only because they could not be certain from the evidence before it that the Wright scratcher of Exhibit X was in fact rotatable.
2. Hall and Scofield, in order to induce the Patent Office to expedite the grant of the Hall application, filed affidavits with the Patent Office together with a Petition to make the applications special, which both Scofield and Hall knew to be false when they

filed the applications. The Petition to make special is Exhibit EEE. The affidavits are included with the file wrapper of the application, Serial No. 255619, Exhibit 69. In these affidavits Hall and Scofield swore that they had found upon the market a scratcher which was an infringement in accordance with Rule 1102 of the Rules of Practice of the U. S. Patent Office, 35 USC, Appendix I, page 641, U. S. Patent Office Rules of Practice. The Patent Office acted upon this false affidavit and made the Hall application special.

Before the District Court it was shown that Jesse E. Hall, Sr., had total disregard for any oath. Exhibit BN is a Certificate of doing business under the fictitious name of the Houston Pipe Appliance Company. Jesse E. Hall, Sr., appeared before the County Clerk, signed this certificate with the name Elmer D. Hall, and swore to the Clerk that he, Jesse E. Hall, Sr., was Elmer D. Hall, his son. His only excuse for this was that his son was in Bakersfield. Certainly, the District Court should have applied the rule of *falsus in uno, falsus in omnibus*.

G. THE COURT ERRED IN FAILING TO FIND THAT THE HALL PATENT 2,671,515 WAS INVALID AS GRANTED UPON AN APPLICATION FILED TOO LATE.

The Hall patent Exhibit 286 is invalid because the application Serial No. 55,619 was not filed within one year of the sale and publication of the scratchers illustrated therein by the patentee Hall.

The Supreme Court in *Muncie Gear Co. v. Outboard Co.*, 315 U. S. 759 at 767 held the patent invalid because the application did not claim the invention of the patent as issued within the statutory period.

Here Hall at no time prior to the filing of the Hall application Serial No. 55,619, claimed invention in "side-wise" inclination of the scratcher wires.

He had claimed "substantially tangential wires" which claims were finally rejected in his 627,013 case. It is clear that Hall's patent is invalid. The patent is not valid as granted upon a continuation-in-part application.

In *Veaux v. Southern Oregon Sales, Inc.*, 45 U. S. P. Q. 610, District Judge Fee stated the law:

"Veaux is forced by the circumstances to rely upon the first application to establish continuity in order to avoid the defense of public use more than two years prior to the filing of the second. If the claims were substantially identical in disclosure, the rejection should be held complete since no appeal was taken. If these were not substantially identical, continuity of prosecution would not be established."

A comparison of the three claims of the Hall patent with the claims of the 627,013 application or the claims of the 388,891 application shows clearly that the patent is invalid within the Rule as stated. Neither of the prior applications claimed invention in sidewise inclination. The reason was obvious, Hall knew when he filed the 388,891 case and when he filed the 627,013 case, that Wright was the inventor of the sidewise inclination scratcher. Hall saw that at the Union Oil Co. Jones Demonstration. This fact Hall wrote in 1942 in his letter to English, Exhibit 152 where he stated:

"They finally succeeded in bending the wickers over sideways." [Vol. VIII, p. 3521.]

Hall deliberately and fraudulently induced the Patent Office to issue the Patent Exhibit 286 for the sidewise bristles, and carefully withheld from the P. O. the fact that he saw the B & W sidewise bristle scratchers at the Jones, Union Oil demonstration.

These scratchers the Patent Office held:

“The structure of Fig. 26 of the Jones and Berdine report is accordingly held to be sufficiently similar to that for which a patent is sought by the party Hall so as to constitute an equivalency thereof for public use purposes.” [Patent Office Decision, December 2, 1953, p. 12, Ex. 216, Vol. VIII, p. 3554.]

Hall knew he could not be the inventor of the structure of Figure 26 of the Jones and Berdine test, Exhibit X, 35 U. S. C., Section 102(a) and if Hall told the Patent Office that the structure of Figure 26 of the Jones and Berdine report was an equivalent of what he sought to be patented, instead of arguing that the structure was not rotatably mounted on the pipe, the Patent Office could never have allowed the Hall Patent, Exhibit 286 to issue.

If the Claims addressed to the sidewise inclination are different from the claims finally rejected in the 627013 application, so as to avoid the doctrine of *res adjudicata* arising from the dismissal of the appeal to the Board of Custom and Court of Appeals and the appeal to the Board of Appeals of rejection of the application 627013, then it becomes obvious that claims of the character of the three claims of the Hall patent were never submitted to the patent office within the statutory period of one year from the date of public use as required in the doctrine of the *Muncie Gear Co.* case, *supra*.

Conclusion.

It is submitted that:

1. The Wright Patents are each valid and that the court's finding of invalidity in view of the prior art cannot be supported on this record.
2. That the District Court erred in failing to find infringement of these Wright Patents by Hall.

3. That B & W has performed no act of unfair competition and as only sought to its "fair share of the business."
4. That the District Court erred in finding that B & W was before the Court with unclean hands, and the record contains no evidence to support such finding.
5. That the District Court erred in applying the doctrine of self-help to B & W and the record contains no evidence to support such finding.
6. That the District Court erred in failing to apply the doctrine of the *Precision Instrument Co.* case to the fraud practiced by Hall in the Patent Office.
7. That the District Court erred in failing to find that the Hall Patent 2,671,515 was invalid as filed too late within the doctrine of the *Muncie Gear* case.

Respectfully submitted,

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No. 14626

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

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a corporation, *et al.*,

Appellants-Appellees,

vs.

KENNETH A. WRIGHT and B & W INC., a corporation,

Appellees-Appellants.

Reply Brief for Kenneth A. Wright and B & W, Inc.,
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TOPICAL INDEX

	PAGE
Statement of the case.....	1
Argument	5

I.

The Hall Patent 2,671,515 is clearly invalid.....	5
A. Invalidity under 35 U. S. C., Sec. 102.....	6
B. Prosecution of the Hall applications.....	8
(1) Hall application, Serial No. 388,891.....	8
(2) Hall application, Serial No. 627,013.....	9
(3) Hall application, Serial No. 55,619.....	12
(a) The false supplemental oath of application Serial No. 627,013.....	17
(b) The fraudulent petition to make special in application Serial No. 55,619.....	19
(c) The fraudulent concealment by Hall inducing the granting of patent No. 2,671,515.....	25

II.

The lack of any proof of infringement of the Hall patent.....	31
---	----

III.

Asserted unfair competition by defendants.....	34
A. The Gulf Companies.....	35
B. The Union Producing Company.....	36
C. Miscellaneous companies	37
D. The Texas Company.....	41

IV.

The unfair competition of Hall.....	42
-------------------------------------	----

V.

Conclusion	51
------------------	----

Appendix:

Plaintiffs' Exhibits 194, 195 and 196, letter written by John Hall to Thomas E. Scofield, dated June 2, 1946.....App. p.	1
---	---

TABLE OF AUTHORITIES CITED

CASES	PAGE
Barrett v. Duell, 14 App. D.C. 225, 1899 C.D. 320.....	10
Celite Corporation v. Dicalite Co., 96 F. 2d 242 (C.C.A. 9 Cir., 1938)	39, 49
Dehydrators, Ltd. et al. v. Petrolite Corporation Ltd., 117 F. 2d 183 (C.C.A. 9 Cir., 1941).....	46, 47
Dernell Potato Products Co. v. Snelling, 38 F. 2d 788 (C.C.A. 2 Cir., 1930).....	33
Dillon Co. v. Continental Supply Co., 98 F. 2d 581 (C.C.A. 10 Cir., 1938)	33
Edison, In re, 30 App. D.C. 321, 1908 C.D. 327.....	12
Ellis, In re Carleton, 24 C.C.P.A. 769, 31 U. S.P.Q. 380.....	12
Hazel-Atlas Glass Company v. Hartford-Empire Company, 322 U.S. 238.....	24, 25, 30
Heath v. Frankel et al., 153 F. 2d 369 (C.C.A. 9 Cir., 1946)....	51
Hemphill Company v. Coe (1941), C.D. 36, 49 U.S.P.Q. 484....	12
Lavin v. Pierotti, 29 C.C.P.A. 1235, 1942 C.D. 679.....	12
Marconi, In re, 38 App. D.C. 286, 1912 C.D. 483.....	12
Metro-Goldwyn-Mayer Corporation v. Fear, 104 F. 2d 892 (C.C.A. 9 Cir., 1939).....	38, 40, 46
Modern Products Supply Co. v. Drachenberg, 152 F. 2d 203 (C.C.A. 6 Cir., 1945).....	33
Muncie Gear Works v. Outboard Marine & Mfg. Co., 315 U.S. 759	5, 13
Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U.S. 806.....	5, 23, 25, 27
Shawkee Manufacturing Company v. Hartford-Empire Company, 322 U.S. 271.....	24, 25

PAGE

Wheeler v. Sage, 1 Wall. (68 U.S.) 518 (1863).....	47
Wire Tie Mach. Co. et al. v. Pacific Box Corporation, Ltd., 102 F. 2d 543 (C.C.A. 9 Cir., 1939).....	33

STATUTES

United States Code, Title 35, Sec. 102(a).....	5, 7, 8, 52
United States Code, Title 35, Sec. 102(b).....	5, 7, 8, 52
United States Code, Title 35, Sec. 102(f).....	5, 7, 8, 29, 52
United States Code, Title 35, Sec. 102(g).....	5, 7, 8, 52

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Reply Brief for Kenneth A. Wright and B & W, Inc.,
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Statement of the Case.

This Brief of B & W differs from an ordinary Reply Brief in that B & W has heretofore set forth its statement of the case and has analyzed certain of the issues of this case in its Opening Brief. This Reply Brief will be confined to the issues raised in the plaintiff's Main Brief, and those issues are:

1. The invalidity of the Hall Patent.
2. The lack of any proof of infringement of the Hall Patent.
3. The claim of unfair competition by defendants.
4. The unfair competition of Hall as that matter is dealt with in the plaintiff's Main Brief.

The statement of this Court's jurisdiction and the statement of this case, as well as the chronological development of facts is fully set forth in the Opening Brief of B & W, so that there is no need to repeat that here.

In their main brief, Hall has stated that their appeal is from the judgment of the District Court,

1. Dismissing a complaint of plaintiff and plaintiff-intervenors charging defendants with unfair competition and
2. Charging infringement of the Hall patent No. 2,671,515.

The main brief of Hall does not however, confine itself to the appeal issues thus stated, as will hereinafter be pointed out.

In this brief as in the Opening Brief, for brevity, we shall refer to the Appellant Hall and the Appellant corporations of Hall by the single notation "Hall" and will refer to B & W and Kenneth A. Wright, Appellee and Cross-Appellants as "B & W."

In Hall's brief, beginning upon page 5 thereof, and extending through page 13, is a section entitled "Chronology of Facts." This so-called "Chronology of Facts" is glaringly in error and would lead one to believe that the inception of this industry in the use of a device known to the trade as a scratcher, began with the development by Hall of a device like Exhibit 40 or as shown in the Hall patent 2,671,515.

The preliminary statement of Hall shows that the device of this Hall patent was conceived in April, 1941. [Ex. CQ, Vol. IX, p. 3860.] The Hall device obviously could not have been placed upon the market until some

material time after this date of conception. In this Chronology, Hall chooses to mislead this Court by making no reference to any of the acts preceding April, 1941. Hall does not want this Court to know that he, Hall, saw the device of Figure 26 of the Jones and Berdine report [Ex. X, Vol. IV, p. 3670] in use in the latter part of 1939 or the first part of 1940. Hall would conceal from this Court that he knew that this device was the development of B & W. These attempts to mislead are pointed out here at the inception of this Reply Brief for the precise purpose of illustrating the character of the Brief filed on behalf of Hall, which, it will be found throughout, makes unwarranted statement as facts without reference to any supporting portion of the voluminous record here on appeal and without reference to any exhibit.

It is obvious that anyone reading Hall's "Chronology of Facts" would be entirely misled with reference to the facts of this case or as to the development of the art of well completions using scratchers for exposing the virgin soil so that an adequate bond could be had between the formation, the cement and the casing or pipe in the well, so that the "water shutoff" or separation of fluids in the well could be had.

As the true facts are developed, it will be obvious that it was not a tool devised by Hall which was known in the trade as a "Scratcher." It will be further obvious that the device shown by Hall in the patent No. 2,671,515 was not the device known to the trade as a scratcher. The Jones and Berdine report, Exhibit X, published in March 1940, and given as a paper to the American Petroleum Institute at Los Angeles introduced the tool to the trade, developed by B & W, as a scratcher. [Jones and Berdine Report, Ex. X, Vol. IV, p. 3670.]

That the Wright structure was first introduced to the trade is apparent from a consideration of the first Instruction Sheet produced by B & W and distributed to the trade prior to March 1940. [Ex. HH, Vol. IX, p. 3735.]

It was stipulated that Exhibit HH was published prior to March 1940.

The Instruction Sheet, Exhibit HH was published for the purpose of instructing the art in the manner of mounting the scratcher on the casing between the beads welded to the casing so that the scratcher was free to move on the casing between the beads and to rotate around the casing during operation. Exhibit X, Vol. IX, page 3676, states:

“1. Scratchers are free to rotate on the casing, and vertical movement with respect to the casing is limited to about 1 foot by confining rings welded on the casing.”

This scratcher shown in Exhibit X in Figure 26, began the art of well completions which developed into a business of many thousands of dollars monthly. It was this “scratcher” that solved the problem in this art. It was this scratcher that after the research project, Jones and Berdine, in their report recommended to Union Oil Company as the means for overcoming the problem in this art. This recommendation for the use of the B & W scratcher is accompanied in the Jones and Berdine report with a statement of the cost at which they were then offered to the Union Oil Company. [Ex. X, Vol. IX, p. 3677.] The scratchers were on sale as early as the Jones and Berdine report, which was prior to March 19, 1940. The Jones and Berdine report there states:

“These scratchers were relatively inexpensive, costing only \$7.50 each for 7 inch casing.”

ARGUMENT.

I.

THE HALL PATENT No. 2,671,515 IS CLEARLY INVALID.

The Hall patent No. 2,671, 515 is invalid because:

(A) The alleged invention was known or used by others in the United States before the alleged invention of Hall. (35 U. S. C., Sec. 102(a) and (b).)

(B) The alleged invention was described in a printed publication in this country before the alleged invention of Hall. (35 U. S. C., Sec. 102(a) and (b).)

(C) Hall did not invent the subject matter to be patented. (35 U. S. C., Sec. 102(f).)

(D) Before Hall's alleged invention thereof the invention was made in this country by another who had not abandoned, suppressed or concealed the invention. (35 U. S. C., Sec. 102(g).)

(E) The application Serial No. 55,619 was not filed within one year of the public sale and publication of the scratchers claimed therein. (*Muncie Gear Works v. Outboard Marine & Mfg. Co.*, 315 U. S. 759.)

(F) The patent was procured by fraud. (*Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U. S. 806.)

(G) The applicant failed to report to the Patent Office "all facts concerning possible fraud or inequity underlying the application in issue." (*Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U. S. 806.)

A. Invalidity Under 35 U. S. C., Sec. 102.

It is the device of Figure 26 of the Jones and Berdine report that the Patent Office held to be structurally and from the standpoint of operation, a complete anticipation of the structure shown in the Hall patent No. 2,671,515. It is obvious therefore why Hall would like to have this Court uninformed with respect to the B & W "scratcher" in his "Chronology of Facts."

In Exhibit 216, a Special Board of the Patent Office in its decision of December 2, 1953, held on page 21 of that decision:

"It is accordingly held that the device shown in Figure 26 of the Jones and Berdine report is so similar to or so nearly the same structurally and functionally, as the one sought to be patented by Hall, that a showing of its public use would bar the grant of a patent to Hall." [Vol. VIII, pp. 3562, 3563.]

Hall saw this structure on test as pointed out in the Opening Brief of B & W. Hall testified before the District Court:

"Q. You saw, as a matter of fact, a Wright scratcher at the Union Oil demonstration on Signal Hill that was conducted by Phil Jones; is that right?

A. That is right. I saw them before they ever run them, I suppose.

Q. Do you know when that was? A. I do not recall, only it could have been in the fall of '39.

Q. Or it could have been early 1940, is that right? A. Well, I think the book was prepared—it seems to me like it was some six months preparing that stuff. I don't know just the date, because it is of

record, and I think the record would be the best suggestion of the date.

Q. But you did see the demonstration there? A. That is right. I had a demonstration in the same—in the same operation, and same thing, that there scratcher.

Q. And when you say you had a demonstration you mean that the Cosco people had a spiral, a centralizer there? A. That is right, but I was the one that waited on it.

Q. So that you spent quite a bit of time there, did you not? A. Well, I didn't spend quite a bit. I spent enough. I know I tried to keep up with what was going on.

Q. And you saw the Wright scratcher being demonstrated there and on the casing; is that correct?

A. That is right.

Q. And was a cementing job simulated in that demonstration? A. Yes, they done a number of cementing jobs.

Q. And they tested various devices; is that correct? A. That is right." [Dep. of Jesse E. Hall, July 15, 1948, Ex. 213, p. 7, line 1, p. 8, line 7, incl.]

It is therefore apparent that these scratchers of B & W were "on sale" at least as early as March 19, 1940, and these scratchers were held by the Patent Office to be the same in every respect as the scratchers of the Hall patent No. 2,671,515. The asserted patent application Serial No. 388,891, upon which it is alleged the Hall patent No. 2,671,515 is founded, was not filed in the Patent Office until April 16, 1941, and no valid patent could therefore be obtained by Hall within the provisions of 35 U. S. C., Section 102(a), (b), (f) and (g).

The Hall patent No. 2,671,515 is therefore void because:

(1) The invention was known and used in 1939, 1940, by B & W and the Union Oil Company before April 1941, Hall's sworn date of invention. (35 U. S. C., Sec. 102(a) and (b).)

(2) The invention was shown and described in Exhibit X published at the A.P.I. meeting held March 19, 1940. (35 U. S. C., Sec. 102(a) and (b).)

(3) Hall did not invent the scratcher which he saw in the possession of the Union Oil Company and known to be a B & W scratcher. (35 U. S. C., Sec. 102(f).)

(4) The invention of the scratcher was made in 1939, by Kenneth A. Wright and this fact was known to Hall, and under oath conceded by Hall. (35 U. S. C., Sec. 102(g).)

B. Prosecution of the Hall Applications.

(1) Hall Application, Serial No. 388,891.

After Hall had seen the Wright scratchers and their phenomenal commercial success, Hall filed an application in the United States Patent Office, Serial No. 388,891, Exhibit I, April 16, 1941. Hall later discovered that the Wright method, Patent No. 2,338,372 had issued on January 4, 1944. Hall copied this application and filed his application, Serial No. 528,183, Exhibit 2, March 27, 1944. His purpose in filing these applications is avowed by him in his letter written July 13, 1944, to Ben McKinley wherein he states:

"Regarding the Patent situation between Kenneth Wright and myself, I really have the thing involved."
[Ex. 14, Vol. IX, p. 3473.]

When it was pointed out to Hall that he had no standing in the interferences, which he had provoked to involve Wright's patent situation, as stated by Hall's witness William H. Maxwell [Vol. I, p. 414], Hall executed the Concessions of Priority, conceding Kenneth A. Wright's priority of invention in both the method of use and in the structure of the scratcher. [Exs. V and W, Vol. IX, pp. 3665, 3667.]

With these Concessions of Priority it was necessary for Hall to cancel all claims from the application, Serial No. 388,891, which were to the invention disclosed in the Wright applications. Thus the method application, Serial No. 521,183 was abandoned by Hall. In the application, Serial No. 388,891, the Patent Office very properly rejected all of Hall's claims with the exception of a single Claim 19. [Vol. VIII, p. 3403.] Claim 19 was directed to the manner of mounting the scratcher wires on the inside of the collar so that the wires projected through holes formed in the collars and were held on the inside of the collar. [Vol. VIII, p. 3454.] Hall then abandoned this 388,891 application. [Vol. VIII, p. 3458.] As pointed out in our Opening Brief, this abandonment was without notice to B & W, although presumably the prosecution of the application was carried on for the benefit of B & W under the terms of the purported agreement of September 15, 1944.

(2) Hall Application Serial No. 627,013.

Hall filed on November 6, 1945, an application, Serial No. 627,013 in the Patent Office. The file wrapper of this application is Exhibit K, and will show that this application, after being finally rejected by the Patent Office Examiner, and after Hall had appealed to the Board of

Appeals and the Board's decision affirmed the Patent Examiner's action, was appealed to the Court of Customs and Patent Appeals. The appeal taken to the Court of Customs and Patent Appeals was dismissed. This affirmed the position of the Patent Office and a final judgment was entered. This forever closed under the doctrine of *res judicata*, the right of Hall to obtain a patent upon any matter set forth in the application and with respect to all issues of the appeal taken to the Court of Customs and Patent Appeals and affirmed forever the position of the Patent Office Examiner.

In *Barratt v. Duell*, 14 App. D. C. 225, 1899, C. D. 320, the doctrine of *res judicata* with reference to Patent Office procedure was fully set forth and that doctrine remains unaltered at the present time.

The Appellate Court there stated:

"When in a court of law there has been one investigation and thereupon one adjudication, such action becomes final and can only be reviewed, if at all, by way of appeal. No subsequent suit for the same subject-matter and between the same parties can be sustained. What good ground is there for any different course of procedure in the Patent Office? When an application for a patent has been considered and allowed and the patent has been issued, there can be no question whatever of the finality of such action. The right of the patentee can never thereafter be questioned in the Patent Office, except to the limited extent specially authorized in cases of interference. When, on the other hand, an application for a patent is after due examination rejected and finally determined against the applicant after exhaustion of the manifold right of appeal allowed to him by the great liberality of the patent laws, why should a sec-

ond application be allowed or entertained? Is there any reason why the determination of the matter should not be regarded as conclusive? If a second application could be regarded as proper, why not ten or twenty successive applications? Where are the applications to stop, and what would become of the public business if it were in the power of one person to obstruct the operations of the Patent Office by repeated and persistent applications? These questions answer themselves. Renewed applications are authorized by the patent law under special circumstances in the place of abandoned and forfeited applications; but these are analogous to proceedings at common law to reinstate cases that have been dismissed on technical grounds. But there is no provision of law for a second application where a previous application has been adjudicated and a patent denied. The absence of such a provision is sufficient evidence that the right to have a second application considered after refusal of a patent upon a previous application does not exist, especially when the fact is recalled that the law in its very great liberality provides still another method for the applicant to establish his claim by the way of a bill in equity.

“The force of this position is appreciated by counsel for the applicant who seeks to sustain the course here pursued upon the theory that the new application is substantially different from the previous one and that it is made in compliance with the spirit, if not with the letter, of the opinion of this court in the former case. That opinion suggested to the applicant to file a bill in equity, as he was authorized by law to do, not a new application, for which there is no warrant in law. The new application does not make a different case. The case is the same precise case. The subject-matter of the invention is the same. The

claim is the same. Only the specifications and drawings are more full, and the state of the art at the time of the alleged invention is more fully and satisfactorily shown. But all this, which might well have been adduced by way of amendment or otherwise in the original proceeding or which might have been shown under a bill in equity, at the utmost amounts to no more than a clearer and better declaration of additional proof of the alleged invention. It does not make any new case, and it does not justify the filing of any new application."

See also *In re Edison*, 30 App. D. C. 321, 1908 C. D. 327; *In re Marconi*, 38 App. D. C. 286, 1912 C. D. 483; *Lavin v. Pierotti*, 29 C. C. P. A. 1235, 1942 C. D. 679; *Hemphill v. Coe*, 1941 C. D. 36, 49 U. S. P. Q. 484, in which latter case the Court held:

"A party therefore by filing a second application cannot obtain a review of questions which were, or might have been, determined on a review relating to the first."

See also:

In re Ellis, 24 C. C. P. A. 769, 31 U. S. P. Q. 380.

(3) Hall Application Serial No. 55,619.

The position heretofore taken on behalf of Hall with respect to this doctrine of estoppel, applicable to the 627,013 application and particularly applicable to the application, Serial No. 55,619, which was not filed in the Patent Office until October 20, 1948 [Ex. 69], is that the invention defined in the claims erroneously allowed in application Serial No. 55,619 by the Board of Appeals of the Patent Office, was for a different invention than that defined by the claims held unpatentable by the Final

Dismissal of the Appeal to the Court of Customs and Patent Appeals. Application Serial No. 55,619 issued as Patent No. 2,671,515 containing only these claims.

In endeavoring to thus avoid the doctrine of *res judicata*, Hall runs directly into the decision of the Supreme Court in *Muncie Gear Co. v. Outboard Marine & Mfg. Co.*, 315 U. S. 759. Hall manufactured, sold and offered for sale the scratchers allegedly constructed in accordance with his invention as defined by the three claims of the Patent No. 2,671,515 as early as the date of the advertisement of the Acme Scratcher as the same was advertised in Exhibit A, *i.e.*, The Oil Weekly, issue of July 7, 1941. [Vol. VIII, p. 3646.]

The claims solicited in the 55,619 application, as Hall claims being for a different invention to avoid the doctrine of *res judicata*, are clearly invalid as defining a structure which was in public use more than the statutory period, *i.e.*, one year prior to the filing of the application claiming this different invention.

The Hall application 627,013, Exhibit K, was filed in the Patent Office November 5, 1945, and was filed after it had been determined that no patent could be obtained upon the application Serial No. 388,891 other than Claim 19 which was directed to the securing of the wire scratching elements upon the inside of the collar of the scratcher. The application was prepared as the result of a letter written by John Hall for his father, Jesse E. Hall, Sr., to Thomas E. Scofield. [Exs. 194, 195, 196, dated June 2, 1946, a copy of which letter, for convenience, is printed as an appendix to this brief.]

The pertinent facts of this letter are that it defines the fact of the rotatable and reversible operation of the

B & W scratcher. This letter sets up the basis of the description of operation for the scratcher as defined in this 627,013 application [Ex. K], wherein that application defines the reversing of the scratcher wires upon reciprocation of the scratcher wires within the well. Thus, in the 627,013 application, this action is defined on page 3, starting at line 22 and ending at line 28, and is further described in Exhibit K, page 4, beginning at line 27 and ending at line 30. The specification states:

“It is this unusual arrangement of whiskers which produce rotation of the collar and migration of the ends of the wire around the well bore upon reciprocation of the casing.”

This “unusual arrangement,” this operation of reversing the wires upon reciprocation of the scratcher in the well bore so that the scratchers would migrate around the well bore to produce an effective cleaning operation, was the operation which Hall had observed to be the action of the B & W scratcher. This fact is set forth verbatim in Exhibit 195, Appendix hereof, upon the second page of the letter of June 2, 1945, wherein it is stated to Thomas E. Scofield, attorney for Mr. Hall:

“If I had made the dummy oil well a fraction of an inch smaller than the over all spring spread of the B & W it would have been possible to reverse it. That is the way that the B & W Company recommend them to be run.”

This letter [Exs. 194, 195, 196], was not before the Patent Office. A motion was filed in the Patent Office October 20, 1952 [Vol. VI, pp. 2557, 2558], on behalf of B & W to force production of this letter and attorney Scofield and Hall refused to produce the letter and the

Patent Office ruled that it was without the power to force its production [Ex. BO, Vol. II, p. 952.] Had the admissions of Hall contained in this letter been before the Patent Office, it is clear that the Hall patent would not have issued.

In the filing of the application, Serial No. 627,013, Hall filed an entirely new set of drawings with the Patent Office, drawings which are in no way comparable to the drawings of the 388,891 application. Hall here defined the direction of the wire scratching fingers as being tangent to the supporting collar and limited his application to this precise definition of tangent. This definition of the extent of the wires extending from a collar was not new to Hall, who had previously filed an application in the Patent Office for a pipe cleaning device, in which he had set forth the same definition, *i.e.*, "tangent" of the wires with respect to the supporting collar. The file wrapper of this application is in evidence as Exhibit BL and shows that during the prosecution of that application, which resulted in the grant of the patent to Hall, No. 2,393,144 [Ex. BK], a definition was agreed upon between Hall and the Patent Office which would be accurate in defining the tangential relationship. This agreement for this purpose is set forth in the file wrapper. [Ex. BL.] This agreement preceded November 5, 1945, the date of filing of the second Hall application, Serial No. 627,013 [Ex. K.] Thus, in filing the Exhibit K application, and in order to define exactly and accurately the tangential relationship, the claims which accompanied the application as filed, adopted the agreed definition of an exact tangent, *i.e.*,

"said whiskers project at an angle from the sleeve simulating the trajectory of bodies thrown from the sleeve were the sleeve rotated rapidly."

It is now asserted on behalf of Hall that a tangent has no relationship whatsoever to any of the scratchers, and that he never made at any time [Vol. VI, p. 2560], a scratcher where the wires extended in a true tangent to the sleeve or supporting collar and that a scratcher with tangent wires would be an impractical tool. [Jesse E. Hall, Vol. VI, pp. 2542, 2543.]

An examination of the claims of the 627,013 patent as that application is filed in the Patent Office will show that all of the claims of that application were limited to the scratcher wires being fixedly secured on the inside of the sleeve as was true of the similarly allowed claim of the application, Serial No. 388,891. Thus, claim 1 states:

“Wire whiskers fixedly attached at their inner ends inside the sleeve.”

All of the other Claims 2, 3, 4, 5 and 6 were dependent upon the definition set forth in Claim 1, so that all claims are thus limited to the inside mount of the scratcher wires. Claim 19 of the 388,891 application was not solicited in the new application 627,013. The reason for it is obvious as that claim was so limited as to the precise manner in which the inside mounting was had as to render that claim substantially useless. Ten months after application 627,013 was filed, namely, on August 19, 1946, Claim 19 was added as Claim 7. The Claim however had already been abandoned and the abandonment had become final because of failure to take action within six months of the final rejection of the Application 388,891, as required by the Rules of the Patent Office in order to avoid abandonment.

(a) The False Supplemental Oath of Application Serial No. 627,013.

The Patent Office, as shown by the file [Ex. K], acted upon the application, Serial No. 627,013 on January 31, 1947, and rejected all of the claims and required under the rules of the Patent Office an election of species between the different forms of scratchers disclosed in this application. An election was made to address the application to that form of scratcher which became known as the close tolerance type of scratcher of Figures 4-6 of this application. The 627,013 application disclosed the following, which are not common to the 388,891 application:

1. The use of the studs or rivets 13, within the collars for securing the inner ends of the wires. No such studs were disclosed in the 388,891 application. On the contrary, in that application, the inner ends of the wires were secured in position by the inner or outer sleeves or collars and one of these collars was deformed to confine the bent inner ends of the wire fingers.

2. The application disclosed the spring fingers extending at a true tangent from the sleeves or collars while the application Serial No. 388,891 shows the wires extending at approximately a 60 degree angle from the tangent. The application disclosed the form of scratcher shown in Figures 4, 5, 6, which was known as the close tolerance form of scratcher including conical winding of the coil springs as the same is illustrated in Figure 6. This added material then became the subject of the Supplemental Oath filed by Hall with the amendment dated August 19, 1946. By this Supplemental Oath Hall took oath to the fact that the factors thus claimed in this ap-

plication, namely, the inside stud mounting as defined in Claims 3, 4 and 5, had not been in public use or on sale for more than a year prior to the filing of his application [Ex. K] and set forth that the close tolerance scratcher defined by having the coils of conical shape as defined in Claim 9, had not been on sale or in public use for more than a year prior to the filing of the application on November 5, 1945.

Hall personally supplied the Oil Weekly with the photograph of his so-called Acme Scratcher that appeared in the July 7, 1941, issue of that publication. [Ex. A.] Hall had since that date sold that scratcher, which includes, as clearly shown in this advertisement, the radial studs for securing the wires within the sleeve. All of the claims of this 627,013 application are readable upon the Acme Scratcher of Exhibit A, with the exception of those claims which are directed to the close tolerance form of scratcher. The close tolerance form of scratcher was introduced to the trade and sold and offered for sale by Hall as shown by the letters written by Jesse E. Hall, to his son John Hall [Exs. BW, BX and BY], which are dated respectively January 1, January 5 and January 15 of 1944, more than a year prior to November 6, 1945, the date of the filing of the second application. [Ex. K.]

This false affidavit signed by Hall as a supplemental oath to this second application sets forth that the matters of this second application which were not common to the earlier application, Serial No. 388,891, had not been on sale or in public use for more than a year prior to the filing of this second application. This false oath was deliberate and purposeful and was known to be false at the date of its filing.

This false oath was clearly an act of perjury and within the condemnation of the Supreme Court in the *Precision Instrument* case, 324 U. S. 806.

The prosecution of the 627,013, Exhibit K, was carried forward to where the claims of this application were finally rejected by the Examiner of the Patent Office so that an appeal was taken to the Board of Appeals and the Board of Appeals substantially affirmed the position of the Examiner. [Ex. K.] Hall prosecuted an appeal then from the Patent Office to the Court of Customs and Patent Appeals and dismissed this appeal after filing a third application, Serial No. 55,619, Exhibit 69. The third application, Exhibit 69 constituted a refiling of the specifications, *i.e.*, written description and drawings of the second application, Exhibit K, with a new set of claims. This new set of claims, Exhibit 69, page 10, merely defined that the scratcher wires were non-radial with respect to the collar.

**(b) The Fraudulent Petition to Make Special in Application
Serial No. 55,619.**

With this third application, Hall and his attorney Thomas E. Scofield, in order to induce the Patent Office to take special action upon the application, deliberately, falsely and knowingly filed false affidavits accompanying a "Petition to make Special."

An application may be made special before the United States Patent Office and is given special consideration out of its turn upon a showing made in accordance with the Rules of Practice, United States Patent Office, which rule

provides [Ex. BO, "Reply to answer by Hall to order to show cause" pp. 31, 32]:

"Application may be made special because of actual infringement upon the filing of a petition alleging facts under oath to show:

(1) There is an infringing device actually on the market and

(2) When the alleged infringement was first discovered; supplemented by an affidavit of the applicant's attorney to show:

(3) That he has made a rigid comparison of the alleged infringing device with the claims of the application,

(4) That, in his opinion, some of the claims are unquestionably infringed, . . ."

The affidavits are false in their inception and were knowingly false in order to meet the Patent Office requirements for making an application special. The affidavits were false in two respects:

1. The affidavit of Jesse E. Hall where he alleges: "that he first discovered the infringement on or about August 15, 1948," and,
2. The accompanying affidavit of Thomas E. Scofield in his statement: "that the applicant has called his attention to an infringing device which is on the market; that he has made a rigid comparison of the device with the claims of the application; and that in his opinion some of the claims unquestionably are infringed."

The only scratchers which were on the market on August 15, 1948 were B & W scratchers known respectively as the "Wall Cleaning Guide" and the "Multiflex Scratcher" and the scratcher manufactured by Hall.

These facts were known to both Scofield and Hall at the time that they signed their affidavits to accompany the Petition to make the application special. It is clearly established that neither of these scratchers could have been the scratcher referred to in these affidavits. The Wall Cleaning Guide was made and sold by B & W since 1939. In fact it is admitted by Hall in a brief filed before the Patent Office that the Multiflex Scratcher was not the scratcher referred to and that as stated by Hall in his brief before the Patent Office:

“Had the circumstances transpired according to Petitioner’s story, and had the petition to make special depended solely upon the bringing out of the B & W ‘Multiflex’ scratcher, an explanation of the delay might now be in order.” [Ex. EEE, Vol. IX, pp. 3787, 85.]

The reason that Hall made this statement in Exhibit EEE is that B & W had discovered a letter written by Mr. Foot of the Gulf Company to Mr. Houghton dated December 5, 1947, in which Mr. Houghton sets forth the fact that Hall had been advised of the Multiflex Scratcher prior to December 5, 1947, and had threatened at that time to sue Gulf should they purchase the Multiflex Scratcher. [Ex. SS, Vol. IX, pp. 3741, 3742.]

Faced with the letter, Exhibit SS, Hall has altered his position to assert that the scratchers referred to were the coil type scratchers presented by B & W to the Gulf Research and Development Company. These coil type scratchers of which two only ever left the place of B & W, were sent to the Gulf Research and Development Company for test in June, 1947. [Ex. 64, Vol. VIII, p. 3509.] They were returned unused and untested some

time after November 30, 1948, pursuant to the defendant's request. [Ex. YY, Vol. IX, p. 3745.] According to the testimony of Hall's witness, Leslie W. Volmer, an employee of Gulf Research, these two scratchers were not knowingly shown to anyone outside of the immediate employ of Gulf Research. [Vol. III, pp. 1078, 1079.]

The fact that these two scratchers were in the hands of Gulf Research was made known to both Scofield and Hall in the middle of 1947, as was the fact that only two of the scratchers were sent out of B & W and that they were not used and did not get out of the Gulf Research Laboratories.

In the taking of Mr. Houghton's deposition on behalf of Hall, it was established that Jesse E. Hall, Sr., visited the Gulf Research Laboratories in Pittsburgh in the latter part of July, 1947 [Vol. III, p. 1072], and there and then learned of these two coil type B & W scratchers. Hall immediately transmitted this information to his attorney, Mr. Scofield, who called A. M. Houghton, patent counsel of Gulf Research, and threatened to sue the Gulf if they should buy these devices from B & W.

Mr. Houghton, called as a witness by Hall testified:

"Q. (By Mr. Scofield): Do you recall whether or not you had any word from me about this time along in July, the 29th or 30th (1947), with regard to these two coil type scratchers that Mr. Wright had sent to Mr. Wescott? A. (By Mr. Houghton): Yes, I do. You called me on the phone, and seemed to be highly excited because you appeared to be under the impression that Gulf was buying or considering buying, scratcher equipment from B & W, and you gave me to understand in no unmistakable terms that you were not going to stand for it, and that you were

going to sue Gulf Oil Corporation or Gulf Research and Development Company, and I recall distinctly, I said, 'What in the blank are you going to sue on?' " [Vol. II, pp. 564, 565.]

It is established by the testimony of Hall's own witnesses and from the statements made by Hall's counsel, Mr. Scofield, that they learned of the B & W coil type scratcher in the latter part of July, 1947, and threatened Gulf with suit at that time. This was more than a year before the alleged date of August, 1948, set forth in the Hall Affidavit accompanying the "Petition to Make the Application Special."

Certainly, as admitted by Hall in his statement of Exhibit EEE, these circumstances not only require explanation, but establish beyond doubt the fact that perjured affidavits were filed for the purpose to gain special action upon the Application, Serial No. 55,619 by the Patent Office.

Certainly the admonitions of the *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.* case, 324 U. S. 806, cannot be disregarded.

The Supreme Court there charged those practicing before the Patent Office with the highest degree and standard of conduct. The reason is knowledge is only in the possession of those filing applications and that the public should not be burdened with patents, the granting of which was based upon fraud or perjury. Thus the Supreme Court stated:

"These facts all add up to the inescapable conclusion that Automotive has not displayed that standard of conduct requisite to the maintenance of this suit in equity. That the actions of Larson and Precision

may have been more reprehensible is immaterial. The public policy against the assertion and enforcement of patent claims infected with fraud and perjury is too great to be overridden by such a consideration. Automotive knew of and suspected the perjury and failed to act so as to uproot it and destroy its effects. Instead, Automotive acted affirmatively to magnify and increase those effects. Such inequitable conduct impregnated Automotive's entire cause of action and justified dismissal by resort to the unclean hands doctrine."

In this case it is conclusively shown that there was no device on the market on August 15, 1948, which corresponds with the sworn statements of Hall and Scofield accompanying the Petition to make the 55,619 application Special. It is shown that there was no device then on the market which was examined by Scofield and which Scofield had examined and determined to infringe one or more of the claims of the 55,619 application. The Supreme Court in the *Hazel-Atlas Glass Company v. Hartford-Empire Company* case, 322 U. S. 238 and its companion case *Shawkee Mfg. Co. v. Hartford-Empire Co.*, 322 U. S. 271, held a patent unenforceable and void because it was shown that in order to obtain the patent the Patent Office had been given an article allegedly written by an official of the Bottle Blowers Association eulogizing the alleged invention of the patent. It was later established that this official of the Bottle Blowers Association had nothing to do with writing that article but was induced to sign his name to an article which was in fact written by the patent solicitor. This fraud was held to be of such a nature as to void the patent.

This conspiracy practiced by Hall and Scofield is in all ways comparable to the facts before the Supreme Court in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U. S. 238 and *Shawkee v. Hartford-Empire Co.*, 322 U. S. 271.

It is for the reasons set forth by the Supreme Court in the *Precision Instrument Mfg. Co.* case (*supra*), that B & W resorted to every permissible action to place before the Patent Office the entire facts leading up to the grant of the Hall patent 2,671,515, and the perjury and deceit that had been practiced upon the Patent Office by Hall. Had B & W failed so to do, it would have been subject under the Precision Instrument Mfg. Co. doctrine to the charge of "unclean hands." The parties at that time were operating under the cloud of the supposed agreement of September 15, 1944. Thus, as stated by the District Court in its Judgment, B & W took every permissible move before the Patent Office to prevent the grant of this Hall patent on this perjured and fraudulent record.

(c) The Fraudulent Concealment by Hall Inducing the Granting of Patent 2,671,515.

After the application, Serial No. 55,619, Exhibit 69 was made special, responsive to this fraudulent Petition, the Patent Office Examiner finally rejected the application and an appeal was prosecuted to the Board of Appeals of the Patent Office. The claims on appeal were the claims 1, 2 and 3 of the Patent 2,671,515, together with other claims, and the claims 1, 2, 3 of said Hall patent were claims 23, 24 and 31 of the Hall application 55,619. The representations made to the Board of Appeals to cause these claims to be granted by the Board of Appeals was that the Hall scratcher had a new mode of operation, *i.e.*, of reversing upon reciprocation and the representation was made that the B & W scratcher

of Figure 26 of the Jones and Berdine report, Exhibit X, was not rotatable upon the pipe. The representation was further made that not being rotatable on the pipe, that the B & W scratcher could not be reversed. These facts Hall and his attorney knew to be false when the representations were made to the Board of Appeals. This is conclusively shown by John Hall's letter written to Thomas E. Scofield on June 2, 1945 [Exs. 194, 195, 196, set forth in the appendix hereto], and in which it is stated, when a structure of the B & W is used in accordance with B & W's instructions, that it is a reversible scratcher, and has the same mode of operation. This fraudulent misrepresentation or withholding of facts from the Board of Appeals of the U. S. Patent Office resulted in the Board of Appeals decision of January 30, 1950, reversing the Examiner's action as to Claims 23, 24, 31 of the Hall application and allowing those claims to Hall. The Board of Appeals stated that without further evidence they were unable to determine, in view of the representations made to it, that the scratcher of the Figure 26 of the Jones and Berdine report Exhibit X would in fact rotate and was in fact a reversible scratcher. The entire basis of the allowance by the Board of Appeals of said claims is set forth on page 10 of its decision of January 10, 1950, Exhibit 69, page 132, where the Board of Appeals stated:

“Without further evidence, it cannot be held merely from the disclosure of the publication that the scratcher illustrated in Fig. 26 was constructed in accordance with these claims or functioned as disclosed in the application on appeal.”

This withholding of the actual knowledge of the operation of B & W scratcher from the Board of Appeals is exactly the practice that was condemned by the Su-

preme Court in the *Precision Instrument Company* case wherein the Supreme Court stated:

“In the instant case Automotive has sought to enforce several patents and related contracts. Clearly these are matters concerning far more than the interests of the adverse parties. The possession and assertion of patent rights are ‘issues of great moment to the public.’ *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U. S. 238, 246. See also *Mercoird Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661, 665; *Morton Salt Co. v. G. S. Suppiger Co.* (U. S.), *supra*; *United States v. Masonite Corp.*, 316 U. S. 265, 278. A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the ‘Progress of Science and useful Arts.’ At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity. And when such measurements are made, it becomes clear that the District Court’s action in dismissing the complaints and counterclaims ‘for want of equity’ was more than justified.”

As has been previously pointed out, Hall was fully aware, prior to April, 1941, of the activities of B & W in the development, testing and sale of its scratchers. Hall was present and observed these scratchers under

test by the Union Oil Company. These scratchers clearly constituted a portion of the prior art upon which the District Court relied in holding the Hall patent invalid in view of the prior art. [Finding of Fact XXXII, Vol. 1, p. 382.]

That the prior scratchers of B & W had the same mode of operation and were reversible scratchers is not only attested to by the writings of Hall and Hall's sons at a time and under conditions where there was no controversy, but is established by the great preponderance of evidence included in this record and which was likewise submitted to the Patent Office and which resulted in the Patent Office Finding heretofore quoted in this brief that the B & W scratcher, for example, of Figure 26 of the Jones and Berdine Report, Exhibit X, is,

“so similar to or so nearly the same structurally and functionally, as the one sought to be patented by Hall, that a showing of its public use would bar the grant of a patent to Hall.” [Ex. 216, Vol. VIII, pp. 3562, 3563.]

This decision of the Patent Office was rendered after the above referred to decision of the Board of Appeals allowing the claims of patent 2,671,515.

A duplicate of the Figure 26 scratcher of the Jones and Berdine report, Exhibit X was tested to determine its mode of operation as compared with the mode of operation evidenced by the photograph Figure 27, of the Jones and Berdine report. In Figure 27, the operation of the B & W scratcher used in carrying out the cementing operation, is illustrated by the striations appearing on the exterior of the cement billet. The striations show at their upper and lower points, irregularity of movement

which was effected by the reversal of the wires at the ends of the strokes of movement of the scratcher. A duplicate of the scratcher was run in a test cylinder as shown for example, in Exhibit AAA, a photograph. [Vol. IX, p. 3810.] The surprising similarity between the tracing formed by the ends of the wire on the inside of this cylinder and the tracing of the wires as shown by the striations in the cement in Figure 27 is indeed remarkable. The tracings are substantially identical and illustrate the rotating of the scratcher around the supporting casing so that the ends of the wire on each stroke of the reciprocation found a new point upon the interior of the formation to scratch so that upon repeated reciprocations the scratcher effectively removed all mud from the formation so that the mud would be entirely replaced by the cement as the scratching was continued during cement placement.

The Patent Office reviewed very carefully this evidence and very carefully the evidence of the tests performed and the entire record before the Patent Office was before the District Court. These facts are analyzed by the Patent Office in the Decision. [Ex. 216, Vol. VIII, pp. 3550-3567.] It was there held in that Decision that the tests performed were experimental. But as previously pointed out in this Brief, Hall having been present and having observed the tests, cannot at a later date, *i.e.*, April, 1941, assert that he, Hall, was the inventor of what he saw in the possession of B & W and the Union Oil Company more than a year earlier. The statute requires as a prerequisite to obtaining a patent, that the applicant himself invent the subject matter sought to be patented and not to have derived that invention from another. (35 U. S. C., Sec. 102(f).)

In order to obtain the Hall patent, 2,671,515, it is here shown that Hall fraudulently induced the Patent Office to give special action upon the application, Serial No. 55,619. This special action given by the Patent Office Examiner was to finally reject this application and all of its claims. [Ex. 69.] An appeal was then taken to the Board of Appeals and as previously pointed out, the Board of Appeals was induced to reverse the Examiner of the Patent Office and to allow the three claims of the Hall patent 2,671,515 upon the basis that the Board of Appeals could not determine from the article, which is Exhibit X, and from Figure 26 of that article, whether or not the scratcher shown in that figure was in fact a reversible and rotatable scratcher. In this decision of the Board of Appeals on January 30, 1950, Exhibit 69, pages 123 to 132, it is pointed out that the only possible invention could be in this reversible and rotatable action of the scratcher as differentiated from the prior art reviewed by the Board of Appeals. This being the grounds upon which the patentability was predicated by the Board of Appeals, Hall, on the doctrine of file wrapper estoppel, is estopped from asserting any other novelty for these claims. The fraud which is much more directly related to the grant of this patent than was true in the magazine article in the *Hazel-Atlas Glass* cases, is in the withholding from the Patent Office of the knowledge of Hall and Scofield that the structure of Figure 26 of the Jones and Berdine Report, Exhibit X, was in fact a reversible and rotatable scratcher. John Hall's letter of June 2, 1945, to Thomas E. Scofield, Exhibits 194, 195, 196, printed in the Appendix of this brief, establishes that fact beyond peradventure of doubt. The Supreme Court has said that such practice cannot be condoned and that patents

so fraudulently obtained must not be sustained. The District Court, knowing of these facts, and knowing that the B & W scratchers of Figure 26 of the Jones and Berdine Report were part of the art prior to Hall, correctly held the Hall patent invalid in view of the prior art. [Finding of Fact XXXII, Vol. I, p. 382.]

II.

THE LACK OF ANY PROOF OF INFRINGEMENT OF THE HALL PATENT.

The Hall patent No. 2,671,515, as it differs from the 388,891 application, is predicated upon a mode of operation incident to a precise arrangement of the scratcher wires as that arrangement is described in the Hall patent. [Ex. 286, Vol. VIII, p. 3640.] This precise arrangement is as stated in the Hall application, as filed, such that the wire fingers 14 extended from the collar at a tangent, that is, as heretofore pointed out.

“In a manner simulating substantially the trajectory of objects through from the collar or sleeve were it rotated rapidly on its axis.” [File Wrapper, Ex. 69, p. 4, lines 23-25.]

As stated by Hall in his patent, it is this tangential arrangement which he relied upon to produce a mode of operation which Hall states to be unusual. Thus the Hall application states:

“It is this unusual arrangement of whiskers which produce rotation of the collar and migration of the ends of the wires about the well bore upon reciprocation of the casing.”

There is no other disclosure of the Hall application, Exhibit 69, or of the Hall patent, Exhibit 286, other than

that the wire scratching elements or wire whiskers 14 extend at a tangent from the collar or supporting ring 11.

There is no testimony before this court that such a tangentially arranged structure would even function.

The testimony is to the contrary, and that testimony is of the patentee, Jesse E. Hall, Sr. Hall testified that with a tangential arrangement, the wire whiskers would be too long and would ball up. [Vol. VI, pp. 2542, 2543.]

No B & W scratcher ever employed a tangential arrangement and there is no assertion that any such tangential arrangement was employed. The fallacy of the argument made in the Plaintiff's Opening Brief, pages 72-73, is endeavoring to compare the structure of the Hall patent No. 2,671,515 with the structure of the scratcher manufactured by Hall or his related companies. Hall testified that he never made a tangential scratcher. [Vol. VI, p. 2560.]

There therefore was no evidence that the Nu-Coil scratcher or any B & W scratcher would operate as set forth in the Hall patent or which embodied the tangentially arranged wire scratcher of the Hall patent. There is no testimony offered on behalf of plaintiff or Hall as to the mode of operation of the scratcher made in accordance with the disclosure of the Hall patent. There was no testimony offered on behalf of Hall comparing the operation of such a tangential scratcher with the operation of either the Nu-Coil, Multiflex or Wall Cleaning Devices manufactured and sold by B & W.

There is therefore a total lack of evidence to support any finding of infringement and this is the significant reason that there is no finding of infringement made by the District Court. The Court permitting plaintiff's counsel during argument to make an argument, no matter what that argument is, is not to be taken as an affirmance of anything so stated. (Pltf. Main Br. p. 72.) Certainly the District Court was not in any way impressed by plaintiff's counsel's argument because it made no finding of infringement.

A patent which does not disclose a practical structure, one which is capable of practical operation to perform its intended result, is to be narrowly construed and should be limited to the device as shown therein, be a "tangential" scratcher.

Dillon Co. v. Continental Supply Co. (C. C. A. 10th Cir., 1938), 98 F. 2d 581, 587, 588; *Dernell Potato Products Co. v. Snelling* (C. C. A. 2d Cir., 1930), 38 F. 2d 788; *Modern Products Supply Co. v. Drachenberg* (C. C. A. 6th Cir., 1945), 152 F. 2d 203; see also *Wire Tie Mach. Co. et al. v. Pacific Box Corporation, Limited* (C. C. A. 9th Cir., 1939), 102 F. 2d 543, 556, wherein the Court stated:

“ . . . a ‘paper patent’ and as such is limited to a narrow construction. . . . ”

III.

ASSERTED UNFAIR COMPETITION BY DEFENDANTS.

Hall's Brief is predicated upon a willful misstatement both of the evidence and of the Findings of the District Court. This willful misstatement is repeated many times and is: "Defendants did this well knowing their patents did not cover the accused devices nor the methods with which the devices were employed."

It is asserted that this statement is supported by the Findings of Fact, but a complete review of the Findings [Vol. I, p. 368], show that the Court made no such finding. The statement is not only contrary to the beliefs of the defendants but is contrary to the proofs including the testimony given by Hall, Sr. to-wit:

"The Witness: My opinion was then, and it is now, that the Multiflex and the Nu-Coil installed the teachings of the B & W scratcher patent No. 2,374,317.

The Court: Exhibit 38.

The Witness: Exhibit 38. They would infringe."

It is asserted in the Main Brief of plaintiff that the Nu-Coil is a "replica of Hall's design." (Main Br. p. 13.)

Hall realizes the necessity of some showing of bad faith in the sending of notices of infringement as that element is essential to a cause of action for unfair competition as required by each of the cases relied upon by the plaintiff on pages 14 and 15 of their Main Brief. It will be apparent from the foregoing that no such element of bad faith in sending out notices of the Wright patents can be attributed to Defendants B & W or

Kenneth A. Wright. Defendants have continuously and still believe the Wright patents are valid and infringed and cover the Wright structures and method as well as Hall's structure and method. The Court did not make any finding of bad faith and Hall himself testified that the patents of B & W covered and would be infringed by the Multiflex, Nu-Coil or Hall scratchers. There is and has continuously been a belief in good faith on the part of Defendants of the validity of their patents and their coverage of the methods and apparatus involved in this litigation. There was clearly no unfair competition by these defendants in their dealings with the oil companies or the notices sent out by B & W.

A. The Gulf Companies.

B & W in its Opening Brief showed conclusively that B & W only sought as stated by Hall's witness, Mr. A. M. Houghton, of the Gulf Companies, "a fair share of the business." (B & W's Op. Br. p. 53.)

There is no effort made on behalf of Hall in their Main Brief to overcome this testimony of their own witness or to show, as far as the Gulf Companies are concerned, that B & W took any action whatsoever than was taken in good faith in full belief of B & W's position and in order to obtain from the Gulf Companies a fair share of the business. It certainly is not unfair nor can a person be claimed to have unclean hands, when he holds the patents on a particular tool or process but does not intend to sue a particular user to so advise the user. This is certainly true in its entirety with respect to the Gulf Companies.

B. The Union Producing Company.

The Union Producing Company, referred to in the Main Brief of plaintiff, page 17, is simply a case of where Hall hounded the Union Producing Company to such an extent in making claims against that company, because of their purchase of a fair share of the scratchers from B & W, that the Union Producing Company stopped buying scratchers from everyone and stated their reason for taking this action to be:

“Q. Have you put a stop order on the purchase of all Weatherford tools? A. In the majority of the districts, yes.

Q. In what districts have you put the stop order on Weatherford tools? A. Shreveport, Houston, New Orleans.

Q. Is Corpus Christi included in the Houston district? A. That is the Beeville district.

Q. Did you put a stop order there yet? A. I haven't got to it yet.

Q. You intend to? A. Yes, sir.

Q. So, as a result of having subpoenaed you here you now intend to put a stop order on the purchase of all Weatherford centralizers by the Union Producing Company? A. I wouldn't say it was on account of the subpoena; on account of the trouble we got in fooling with you people.

Q. What is this trouble, Mr. Quigles? A. Getting in litigation we had no business in.

Q. Do you consider you are in this litigation? A. Yes, sir; I certainly do.

Q. The fact that you are here today giving your deposition? A. Yes, sir.” [Vol. II, p. 718.]

Mr. Quigles is a witness called by Hall, and with respect to the acts of B & W testified that no representative of B & W either in conversation, by telephone or by written communication, had ever threatened the Union Producing Company. Mr. Quigles testified:

“Q. Did any representative of B & W ever in any conversation with you or in any telephone conversation with you or in any written communication directed to you that you may have seen ever threatened to sue Union Producing Company for patent infringement? A. No, sir.”

As to the Union Producing Company, it is thus apparent that the stopping of the sale of Weatherford products by the Union Producing Company was not a result of any action of B & W or any of its representatives, but as a direct result of the action of Hall himself.

C. Miscellaneous Companies.

No different situation exists with respect to the other miscellaneous companies referred to in the plaintiff's Main Brief, page 18. The Standard Oil Company of California, the California Company, its subsidiary, were never at any time threatened with suit by B & W or any of its representatives. The same is true with respect to the Amerada Petroleum.

It is significant that no unlawful act or any act of unfair competition is asserted with reference to the Shell Company, Standard Oil Company of California, the Texas Company or the Amerada Petroleum Company, which is in any way different than to merely notify each of these companies that B & W held the patents on its scratchers.

It is shown with respect to the Standard Oil Company of California, and Shell Oil Company, that B & W sought

to license these companies under the Wright Method Patent and to permit them to purchase scratchers wherever they desired. [Ex. 17, Op. Br. p. 17.] The offer of a license is not a threat of suit. (Pltf. Main Br. p. 56.) No other notice of any kind was ever sent either to the Standard or Shell Companies by B & W or Wright. All of these notices were sent prior to the filing of the complaint in this action. No evidence is offered to show that either of these companies modified their purchasing practices in any way and there was no showing of any damage. The same is true with respect to the Amerada Petroleum Company.

As is pointed out previously, this court has held that the mere giving of a notice of infringement is not an unfair trade practice. In order to constitute an unfair trade practice it must be established that the notices were given without any right of action as in this Court's decision in the *Metro-Goldwyn-Mayer v. Fear* case, 104 F. 2d 892 (9 Cir. 1939), or was given in bad faith, that is, with knowledge that the patent was invalid or not infringed.

No findings to bring any of the defendant's acts within any of this Court's decisions were made by the District Court. No finding of bad faith was made by the District Court and certainly, as heretofore pointed out, and as admitted by plaintiff Hall, the Wright patents were infringed by the structure of Hall and covered the structures made and produced by B & W. The only threats made to the Texas Company for infringement of the patents in this action were the threats made by Hall in the letters written to that company by Scofield, Hall's attorney, threatening to sue that company for infringement of the Wright patents if that company would not

cease purchasing from B & W, the Nu-Coil and Multiflex scratchers. [Exs. HHH, Vol. 9, p. 3786; Ex. III, Vol. IX, p. 3787.]

Certainly if there was bad faith exhibited by anyone, that bad faith was of Hall and Scofield in writing the letters [Exs. HHH and III], threatening to sue the Texas Company for infringement of the Wright patent No. 2,374,317, when they at the same time were before the District Court in this case, asserting that that patent was invalid and did not cover the structure of the Nu-Coil and Multiflex scratchers, which were the structures being purchased by the Texas Company. The bad faith was twofold:

One, in pretending before the District Court that they believed that the Wright patent No. 2,374,317 was invalid and void and did not cover the Multiflex and Nu-Coil scratchers, and

Second, in asserting that they would sue the Texas Company on this same patent if they continued to purchase these same structures from B & W.

If there was ever an example of what plaintiff Hall accuses the defendants of, and that is threatening suit upon patents which they knew "did not cover the manufacture, use or sale" of the Multiflex or Nu-Coil scratchers, it was the action of *Hall and his attorney Scofield*, in sending the letters to the Texas Company, which are in evidence. [Exs. HHH and III.]

This court in *Celite Corporation v. Dicalite Co.*, 96 F. 2d 242 (9 Cir. 1938), at 251, set forth the rule:

"It is true that appellant need not sue all alleged infringers at one time. But where, as here, a campaign is conducted which is designed to destroy a

competitor's business and where ample opportunity is presented to litigate the patents involved, which is not availed of, *the inference of bad faith is inescapable.*" (Italics ours.)

In *Metro-Goldwyn-Mayer Corporation v. Fear (supra)*, this court pointed out that where such threat of suit was without legal foundation, that the making of such threats was unfair practice and actionable. This court there stated:

"The sale or use of the products of the machine (the film) by customers of appellant, would not constitute an infringement of the machine patent."

and further stated:

"This was conceded in the court below. Consequently, appellee had no legal justification for sending such notices or threats to appellant's customers even though it be assumed that he was correct in his contention that appellant was going beyond the scope of this license and infringing the patent by its use of the machines. (*American Ball Co. v. Federal Cartridge Corp.*, (8 Cir.), 70 F. 2d 579.) It is clear, then, that the conduct of appellee was without legal right. It is also clear that there was a reasonable probability that damage would result from such conduct. Under such circumstances, the appellant was entitled to an injunction. . . ."

The statement made in the Main Brief of plaintiff upon page 12 thereof with reference to the activity of B & W is without foundation in the record and can be concluded to be nothing but a willful misrepresentation of facts.

Combing the entire voluminous record of this case before the District Court, one will not find a single

instance where at any time after December 11, 1947, the date of commencement of the present action, B & W or Kenneth A. Wright, either of them notified any customer or prospective customer of plaintiff or plaintiff interveners, that they, B & W would bring suit for infringement of the Wright Method or Apparatus Patents 2,338,372 and 2,374,317. No such notices were sent. Any notices that were sent out after commencement of this action were sent by Hall, such as the letters, Exhibits HHH and III sent to the Texas Oil Company, written July 28, 1950.

D. The Texas Company.

On the other hand, an entirely different situation arises with respect to the Texas Company, where the notices that were sent were sent by Hall threatening the Texas Company with suit under the Wright patents should the Texas Company continue to purchase the Multiflex or Nu-Coil scratchers from B & W. By no stretch of the imagination could Hall have then maintained an action against B & W's customers. No patent had issued to Hall.

The record establishes that there is no act of unfair competition on behalf of defendants and no attempt to monopolize the scratcher business. In all of defendant's dealings with the various concerns referred to in plaintiff's brief there was nothing unusual or illegal in the effort of defendants in the language of plaintiff's own witness to obtain "a fair share of the business." This is merely an example of the ordinary competition fostered by the antitrust laws and not in any sense unfair or illegal.

IV.

THE UNFAIR COMPETITION OF HALL.

Plaintiff in its Main Brief, while professing to direct its case to its charge of unfair competition of defendant and validity and infringement of the Hall Patent No. 2,671,515, has chosen to spend a great portion of its argument upon the question of plaintiff's own unfair competition. The entire subject matter of the portion of the Brief dealing with the California litigation, page 26 through the Chronological Schedule of Facts and Pleadings and its argument with respect to foreign and domestic litigation, as well as its heading,

"B. Plaintiff Hall is Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter." (Main Br. p. 56.)

deals with the Findings of Fact by the Court that plaintiff Hall was guilty of unfair trade practices and in resorting to self-help. That plaintiff resorted to this self-help is admitted by plaintiff in its Opening Brief and plaintiff spends a great portion of its Opening Brief in seeking to excuse plaintiff for resorting to self-help upon the thesis that the court refused to act to aid plaintiff by way of preliminary and summary types of proceedings. Plaintiff nowhere directs this court's attention to the fact that the complaint in this action was filed in December, 1947 and that the trial of this action was not completed until in 1954. Plaintiff nowhere seeks to show, nor would it be possible for plaintiff to show that it had urged the District Court to try this case on its merits at an earlier date. In fact it was B & W who brought this case on for trial upon its own insistence. The record of this case shows that rather than bring

this case on for trial before the District Court, that plaintiff and plaintiff interveners endeavored to try this case in the trade and to harass defendants by filing a multiplicity of other actions. In accordance with this calculated oppression and harassment, an action was filed in Houston, Texas against B & W and then stipulated a dismissal of the Houston action and then refiled that action and resisted the attempt of B & W to either transfer that case for trial coincident with the case before the District Court in Los Angeles, or to stay the trial of that action until the entry of a final judgment in the Los Angeles Case. [Ex. CL.]

Plaintiff and plaintiff interveners filed two actions in Canada and are still maintaining two actions in Canada, one based upon the now non-existent Hall-Wright contract, Exhibit 34, and asserting a license under the Wright Canadian patents, because of that agreement Exhibit 34 and one seeking to invalidate the Wright Canadian re-issue patent. These actions were commenced admittedly as a resort to self-help when the District Court refused the plaintiff and plaintiff interveners' Motions for Summary Judgment. (Main Br. of Hall, p. 38.) When the District Court refused to grant plaintiff or plaintiff interveners a preliminary injunction, plaintiff took this as a license to broadcast wholesale its claims with respect to this litigation and to start other actions in the United States, Canada and Venezuela. The sum and substance of the chronological schedule of facts and pleadings set forth on pages 35-40, plaintiff's Main Brief, is an effort to show that the District Court abused its discretion and did not deal fairly with plaintiff or plaintiff interveners to such an extent that plaintiff interveners were at liberty to go out and resort to self-help and to try

the case in the trade in place of in Court. It is submitted that this premise is completely without any legal basis whatsoever. Particularly is this true where there is no showing that plaintiff or plaintiff interveners at any time urged this court to promptly and expeditiously dispose of this action on its merits. Plaintiff and plaintiff interveners did not want this case disposed of expeditiously and promptly, but actually used this action, as the District Court found in its Memorandum of Opinion, as a means of maintaining its position in the trade and as the court stated [Vol. I, p. 340]:

“In brief it appears that suits filed in this and other courts were tried primarily to the trade. (See: *Gerosé v. Apco Mfg. Co.*, 299 Fed. 19, 26 (1st Cir., 1924); *Panay Horizontal Show Jar Co. v. Aridor Co.*, 292 Fed. 858 (7th Cir., 1923); *Luten v. Wilson Reinforced Concrete Co.*, 263 Fed. 983 (8th Cir., 1920).) While pretending to look to this court of equity for justice each side set about through myriad methods of self-help to make their own justice.”

All of the multiplicity of suits referred to by the Court in its Memorandum were filed by Hall, that is, by plaintiff or plaintiff interveners with the sole exception of *Scratchers, Inc.* suits which were filed on behalf of *Scratchers, Inc.*, and which were dismissed without prejudice, without trial, without publicity and have never been refiled. As pointed out in our Opening Brief, the dismissal of these actions by stipulation without prejudice and without trial and where there is no showing that any publicity was at any time given to these suits, leaves those actions as though they were never filed. Certainly this court must assume that these suits were filed in good faith and for good cause, and as the patent therein in-

volved was cited by the Patent Office as the principal reference against all the Wright patents here involved, *i.e.*, the Black and Stroble patent.

If plaintiff or plaintiff interveners thought they were in any way injured by those actions, they were before the District Court, had a right to be heard and not having been heard, are in no position to complain because they did not accept their day in court. As shown by the file of these actions, Exhibits 143, 144, 145, the actions were involved with counterclaims and third party complaints so that it was beyond the ability of Scratchers, Inc., without stipulation to have dismissed the actions.

That plaintiff and plaintiff interveners have resorted to self-help is clearly admitted and stated in plaintiff's Main Brief. Thus it is stated in the Main Brief, page 30:

"In January, 1952, having received no relief from the Court and relying upon rights granted him under the 1944 agreement (Exhibit 34) plaintiff Hall notified B & W customers who were purchasing Multiflex and Nu-Coil scratchers that a royalty of \$2.50 would be due and payable on purchases of these scratchers."

In other words, plaintiff's position is that the Court, having given them no relief, they resorted to self-help. The \$2.50 royalty letter [Vol. I, pp. 210, 211], it will be noted, makes a claim against all purchasers of B & W equipment, *i.e.*, the Nu-Coil and Multiflex scratchers for \$2.50 per scratcher and demands payment of that royalty to Jesse E. Hall, together with a statement of the number of units purchased, the type whether they be Nu-Coil or Multiflex, the size of each unit, the source from whom purchased, the well name and location and where the

scratchers are to be used. The statement made in the letter is:

“Such scratchers are exclusively licensed to my client Jesse E. Hall, of Weatherford, Texas.”

The basis of this claim under the now non-existent agreement 34, is based upon an assertion of right under paragraph 3 of that document. [Vol. VIII, p. 3474.] It was asserted that an exclusive license was granted to Hall under this paragraph and the ambiguity of this paragraph resides in “and which claims are limited to the structure of Hall and are not such as to be applicable to structure of the application and patent of the party Wright.”

It was stipulated that this agreement was void because there was never a meeting of the minds of the parties signatory to the document. There were, at the time the letters were sent, namely, January 12, 1952, no claims issued to Hall in any patent. There was, therefore, no claim granted giving Hall an exclusive right. Hall's position was as untenable in sending this letter as was the position of Metro-Goldwyn-Mayer in the *Metro-Goldwyn-Mayer v. Fear* case, *supra*, in asserting that the film exhibited was within the exclusive license held for a machine for developing film. The sending of this letter was without right in complete bad faith and solely for the purpose of retaliation against the District Court because of its failure to act as stated in the Main Brief above quoted and as stated before the court in purported retaliation for the defendant's making of its invoices with the royalty notice pursuant to the requirements of this court in the *Petrolite* case.

Dehydrators Limited, et al. v. Petrolite Corp. Ltd.,
117 F. 2d 183 (9 Cir. 1941).

There was never a more brazen presentation of total disregard of the rulings of the District Court and a willful resorting to self-help, than is presented by this record and as shown to have been practiced by plaintiff and plaintiff interveners and is, as admitted by plaintiff and plaintiff interveners in their Main Brief.

The District Court in its findings, as they are directed against plaintiff and plaintiff interveners, is therefore shown to have been fully justified in denying any and all relief of any kind to plaintiff and plaintiff interveners within the Findings 18, 19, 20, 21, 22, 23, 24, 25, 26.

The action taken by plaintiff, plaintiff interveners in this case, is in all respects comparable to that before the Supreme Court in the case relied upon by the District Court in its Memorandum [Vol. I, p. 342], *Wheeler v. Sage*, 1 Wall. (68 U. S.) 518 (1863), where the court states:

“A proceeding like this is against good conscience and good morals, and cannot receive the sanction of a court of equity. The principle is too plain to need a citation of authorities to confirm it. It is against the policy of the law to help either party in such controversies. The maxim, ‘*in pari delicto potior est conditio defendentis*,’ must prevail.”

On the other hand, the District Court confuses the action of B & W in stamping its invoices with the \$.60 royalty notice as being a resort to self-help. The testimony before the court showed that this action was taken on advice of counsel for the precise purpose of bringing B & W sales activities into full accord with the decision of this court in the *Dehydrators Limited, et al. v. Petrolite* case, *supra*, so that there would be stated on the face of the

invoices the royalty charge for the use of the method and combination claims of the Wright patents as distinguished from the charge for the scratchers *per se*. This stamping of the invoices B & W was glad to stop because it was causing B & W difficulty. The record shows that the Gulf Company refused to pay the invoices, an order was given by Mr. Houghton to cease the purchase from B & W on such invoices and it was only after counsel for B & W called upon Mr. Houghton in Washington, D. C., and explained to him the reasons for the stamping of the invoices and assured him and gave him a letter to the effect that in so paying the royalties he would not be acknowledging the validity of the patents nor that the scratchers were covered by the patents, that the Gulf consented to pay the invoices so marked. [Ex. 83, Vol. VIII, pp. 3517, 3518.] Here Mr. Houghton states to Gulf Research and Development Company:

“Mr. Wright and Mr. Lewis Lyon, his attorney, were here yesterday and we discussed this matter very thoroughly. In the meantime I had had a little time to look up recent decisions and I have come to the conclusion that it is satisfactory to us to accept this marketing policy of B & W and to pay the invoices.”

Hall's demand for \$2.50 per scratcher royalty, has had its continuing effect and even though an injunction was issued against further circulation of such demands on January 26, 1952 [Vol. I, p. 209], this did not set at rest the fears of the customers of B & W in continuing to purchase the Multiflex and Nu-Coil scratchers. The record shows that several of B & W's larger customers, *i.e.*, Bethlehem Steel Company and Republic Supply Company, continued to refuse to purchase scratchers from

B & W in the face of this demand. [Ex. KKK, Vol. IX, p. 3790.]

The stop orders were also issued by Jones and McLaughlin Supply Company as a result of this \$2.50 royalty letter. [Exs. MMM, NNN, OOO, Vol. IX, pp. 3792, 3795.] Continental Supply Company also issued such a stop order and in fact deducted from the amounts due B & W \$2.50 for each scratcher which it had purchased, as shown by Exhibit QQQ. [Vol. IX, p. 3796.]

The Findings of Fact of the District Court determining that the sending of this \$2.50 royalty letter was unfair competition, a resort to self-help and resulted in damage to B & W is fully supported by the record. There can be no justification for the sending of this letter. There was no right upon which the letter was based. There was no patent issued to Hall. Even under the greatest imagination there was no exclusive license to Hall under the provisions of Paragraph 3 of the agreement. [Ex. 34.] Plaintiff Hall was before the District Court seeking reformation and cancellation of this agreement at the time the letters were written and in fact complained of the action of the District Court in failing to grant the motions of plaintiff and defendants before the District Court for summary judgment to declare the contract void and of no effect, before the sending of this \$2.50 royalty letter. The doctrine of this court in *Celite v. Dicalite, supra*, is clearly applicable.

Hall, in his Main Brief, seeks to support his position both on the unfair competition aspect and patent infringement aspect of this case upon the basis of a letter written by B & W's counsel January 27, 1950. [Ex. 119, Vol. IX, p. 3523.] This letter significantly refers to two Hall

applications 388,891 and 627,013, both of which applications had been abandoned by Hall prior to January 27, 1950. B & W had no knowledge as of January 27, 1950, of the many fraudulent acts and acts of misrepresentation which had been taken by Hall with respect to the filing of the application, Serial No. 55,619. In fact, it is apparent from Exhibit 119, that as late as January 17, 1950, B & W and its counsel had no knowledge of the third Hall application, Serial No. 55,619. B & W had no knowledge of the decision of the Board of Appeals as shown from the file wrapper, Exhibit K, of the 627,013 application.

B & W had no knowledge of the fact that an appeal taken to the Court of Customs and Patent Appeals had been abandoned so that the decision of the Board of the Patent Office, with respect to the application, serial number 627,013 had become final. B & W had no knowledge of the basis upon which claims were being solicited by Hall in the application, Serial No. 55,619, or that both Hall and his attorney Scofield knew before the 627,013 application was filed that the scratchers shown in the Hall applications were substantially a duplicate, both in structure and mode of operation of the Wright scratchers, Exhibit X of the Jones and Berdine Report. The letter, Exhibit 119, being predicated upon a complete lack of information, draws an obviously incorrect conclusion, a conclusion which could not have been reached had B & W or its counsel been in possession of the facts as they were known to Hall at the time the letter, Exhibit 119, was written. Efforts have been heretofore made to sustain a patent upon the ground that the acts of a defendant were such as to make it inequitable for the court to hold the patent invalid. This court correctly

answered such argument in *Heath v. Frankel, et al.*, 153 F. 2d 369, where at p. 371 this court stated:

“The Hazel-Atlas case is authority for denying relief to appellees because they have come into court with unclean hands. On the other hand, its doctrine cannot be extended so far as to hold patents valid, which by evidence other than the fraudulent and fabricated have no patentable novelty. We believe the lower court followed the doctrine correctly in denying appellees relief.”

Conclusion.

It is conclusively established that Hall did not invent the method of well completion of the Wright Patent No. 2,338,372, Exhibit 37, the spring or torque finger scratcher of the Wright patent 2,374,317, Exhibit 38, or the plug method of the Wright Patent 2,392,352, Exhibit 39. The Hall Centralizer Patent No. 2,220,237, Exhibit 151 is not an antecedent for the inventions of any of the Wright patents. This patent does not teach a method of abrading a well formation during the circulation of a fluid to remove the mud from the well bore during the placement of and during the circulation of a second fluid *i. e.*, the cement slurry to prevent redeposition of the mud upon the permeable formation which is the invention of the Wright Method Patent Exhibit 37. It is nowhere suggested by Hall, and he did not conceive the method of well completion, where the second fluid *i. e.*, the cement slurry was pumped into the well to displace the mud laden fluid to prevent redeposition of the rotary mud upon the permeable formation.

The Wright Method Patent Exhibit 37 is clearly valid and teaches and defines a meritorious invention and is

not invalid in view of the state of the art as found by the Trial Court, because as pointed out in our Opening Brief, there is no available prior art, which was admitted by Hall's attorney. The Wright Apparatus Patent 2,374,317 Exhibit 38, for the scratcher having spring urged abrading fingers operating through the principle of torque is clearly valid and infringed. The best art according to Hall's attorney was the same as considered by the Patent Office. With respect to the Plugging Patent Exhibit 39, there is no art, as was admitted by Scofield, Hall's attorney, applicable to this patent. It is clearly valid and involved an entirely new concept in positioning a plug or bridge in a well through the removal of the rotary mud from the permeable formation between two fluids *i. e.*, the mud fluid circulated during scratching and the second fluid *i. e.*, the cement pumped into the well hole to displace the rotary mud and prevent redeposition of the same upon the permeable strata during formation of the plug.

This patent involves the removal of the means used for pumping the cement into the well and the scratchers which are used for exposing the virgin soil.

The Hall Patent, Exhibit 286 is clearly invalid within the provisions of 35 U. S. C., Section 102, paragraphs a, b, f, g. Hall could not be the inventor under this statute, of what he knew was published in the Jones and Berdine report both before his asserted invention and more than a year before his application for Letters Patent and of

what he knew to be in the possession of Wright and B & W before his asserted invention and more than a year before any application for the Hall patent.

Hall is clearly guilty of unfair trade practices and resorting to self-help. There is no issue as to whether Hall resorted to self-help, as that is admitted. Hall clearly resorted to unfair trade practices as is shown throughout this record, in resorting to the filing of multiple suits for the purpose of harassing and oppressing B & W. There is no plausible excuse for Hall's sending the \$2.50 royalty letter, which is clearly shown to have resulted in three of the largest supply companies placing stop orders against the purchase from B & W of scratchers.

It is therefore respectfully submitted that the judgment of the District Court should be:

1. Reversed in its holding that the three Wright patents are invalid in view of the state of the art.
2. Reversed in its holding that B & W and Kenneth A. Wright are guilty of unfair trade practices, as there is no evidence to support this finding.
3. Reversed in its holding that B & W and Kenneth A. Wright resorted to self-help, as such holding is entirely unsupported by any evidence.
4. Directed to enter a holding that the three Wright patents are and have been infringed by plaintiff and plaintiff interveners as admitted by Jesse E. Hall, Sr.

5. Affirmed in its holding that the Hall Patent No. 2,671,515, Exhibit 286 is invalid and void and unenforceable,

a. As the alleged invention was known or used by others in the United States before the alleged invention of Hall.

b. That the alleged invention was known and in public use by others in the United States more than one year prior to the filing of any of Hall's applications for a patent.

c. That the alleged invention was published in a printed publication in this country for the alleged invention thereof by Hall.

d. That the alleged invention was published in a printed publication more than a year prior to the filing of any of Hall's prior applications.

e. That Hall did not invent the subject matter to be patented.

f. That prior to Hall's alleged invention of the subject matter the invention was made by Kenneth A. Wright in this country and Wright has not abandoned, suppressed or concealed the invention.

g. That the application Serial No. 55,619 was not filed within one year prior to the publication of the alleged invention claimed therein.

h. That the patent is invalid as procured by fraud.

i. That the patent is unenforceable because the applicant failed to report to the Patent Office all facts concerning possible fraud or inequity under-lying the application in issue.

6. Directed to enter a holding that the Hall patent has not been infringed by defendant.

7. Affirmed in the holding of the District Court that the plaintiff and plaintiff interveners are guilty of unfair trade practices, particularly in circulation and dissemination of the \$2.50 royalty letter and in the filing of a multiplicity of suits for the purpose of harassment of defendant B & W, and

8. Affirmed in its holding as admitted by plaintiff and plaintiff interveners, that plaintiff and plaintiff interveners resorted to self-help and therefore are guilty of unclean hands and cannot be given aid by this court.

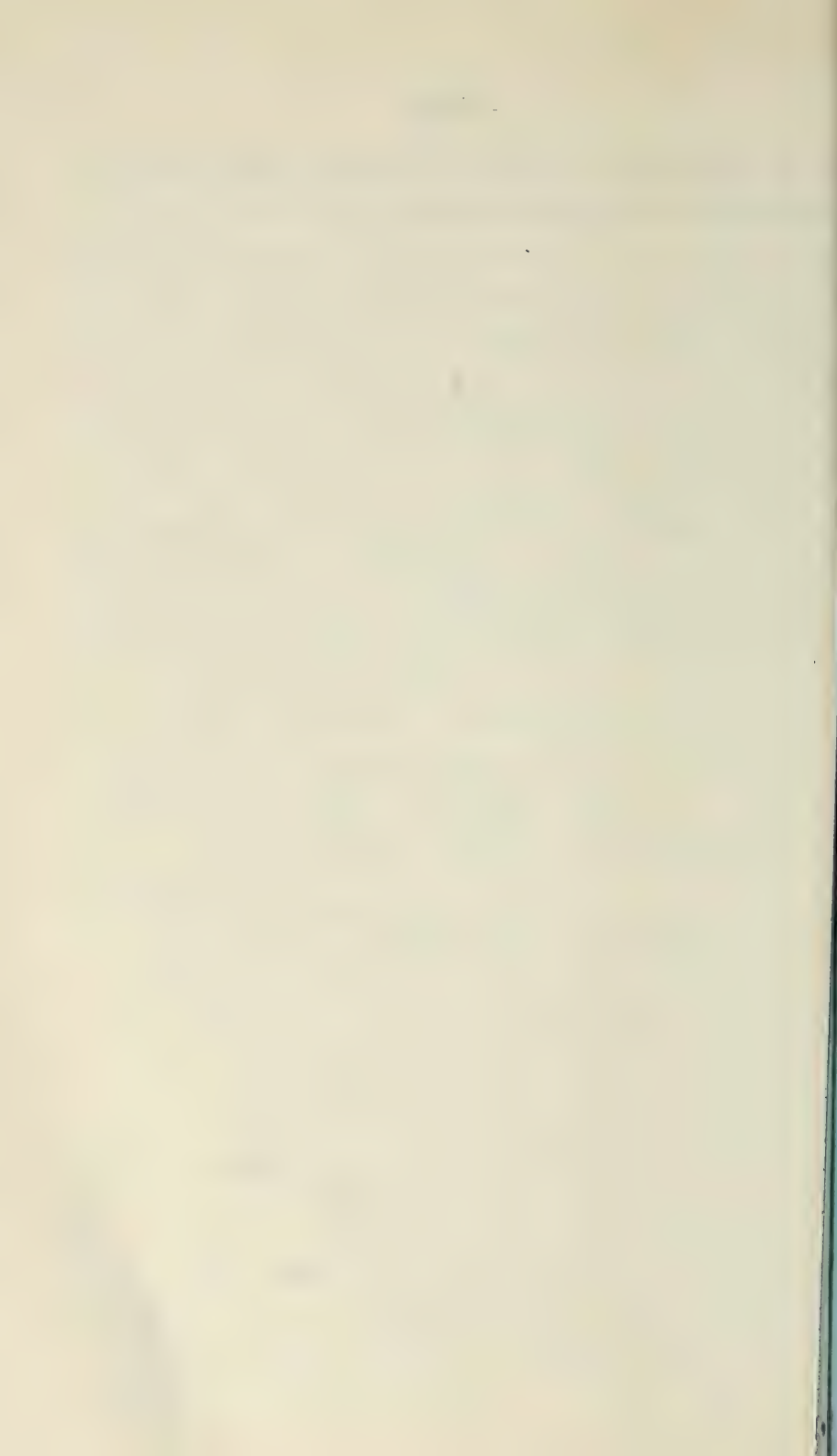
Respectfully submitted,

LYON & LYON,

LEWIS E. LYON,

R. DOUGLAS LYON,

*Attorneys for Kenneth A. Wright and
B & W, Inc.*



APPENDIX.

Plaintiffs' Exhibit No. 194. Received in evidence
November 30, 1953.

WEATHERFORD SPRING COMPANY
Weatherford, Texas, U. S. A.

Scratchers Spiral Casings Guides Cement Baskets
Straight Guides

June 2, 1945

Thomas E. Scofield
2600 Fidelity Building
Kansas City, Mo.

Dear Mr. Scofield:

The Sr. Hall has requested me to make up for you a scratcher demonstrator, consisting of a $4\frac{1}{2}$ " piece of pipe with one $4\frac{1}{2}$ " standard scratcher, on the top and one $4\frac{1}{2}$ " close tolerance scratcher on the bottom of it. This assembly being cramed into a 9" inside diameter cylinder equiped with the appropriate pieces for your feet.

The scratchers are installed on a piece of pipe with the use of set screws, with cross bars welded on them. This will enable you to easily remove the scratchers if you wish to inspect them.

The operation of the scratcher demonstrator is simple; place your feet in the stirrups and work the pipe up and down holding it so that it does not turn. As the scratchers are reversed you will observe that they walk around the pipe. This feature gives two distinct advantages: one, the most important advantage is that it makes the scratcher reversable, the next important advantage is the springs change their position at the bore of the well with each reciprocation so that the entire circumfrence of the

well bore can be cleaned if the scratcher is worked a sufficient number of times.

[Going back to the reversing feature, in order for our scratcher to have the reversing factor it must be installed upon the pipe free. It is restricted in its position on the pipe by the use of stops, which are welded around the casing on each side of the scratcher and far enough apart to give the scratcher freedom of movement. Any scratcher to be practical must be run in the hole larger than the diameter of the well bore so that it will scratch in the larger diameter equally as well as it will scratch in the smaller diameter. For a scratcher to work in that fashion it must be reversable. There is only one practical design with which to get scratching ability in a scratcher. And that is to set all of the springs on the scratcher band at an angle and to point them all in the same direction, to use the coil spring as a pivot, and to install the scratcher on the pipe free on the pipe with suitable stops above and below it.]

The mechanical action which takes place when our scratcher reverses is interesting to observe: As the

Plaintiffs' Exhibit No. 195.

Page 2

scratcher is being run in your dummy oil well you will note, one, that the springs are *pointed upward* and two, that they are *pointed all in the same direction*, and then, as the pipe is picked upwardly you will note, one, that the springs against the bore of the well hold their position as they are going over the peak of their arc, which occurs when the spring is in a horizontal position from the scratcher band to the bore of the well. You will note,

two, that the scratcher housing turns around the pipe when this occurs, thus eliminating the dead thrust action that you would get if the springs were sticking straight out from the pipe. If the springs were sticking straight out from the pipe, the pipe would act as a brace when the scratchers would be reversed and, therefore, the springs fingers would have to bend in reversing or the resistance might be great enough to prevent its reversing. And three, as the scratcher completes its reversing and travels upwardly the springs crawl around on the surface of the well bore, thereby preventing the scratchers from tracking up and down in the same place on the well bore. Look at the pattern of the scratcher marks inside your dummy oil well. Considering our scratcher it might be well to bare in mind that the casing does not rotate when it is being set, but that the scratchers propel themselves around it if they are reversed a sufficient number of times.

You will observe that in the bottom section of the dummy oil well I have welded several pieces of steel. These pieces of steel represent jagged and fractured formation. You will also note that our scratcher encounters no difficulty in reversing in this type of formation. You will also note that our scratcher springs, because of the design of our scratcher, always slide over such formations. I suggest that you remove our scratcher from the dummy well and insert the B & W which is the same as any type scratcher that I have seen in all the old patent pictures, in that its springs are sticking straight out. Shove this B & W scratcher from the top on down past the jagged formation and turn the dummy oil well over and try to shove it in the opposit direction past the jagged formation. You may succeed in shoving the B & W springs back against the jagged formation but you will not be

able to shove it past the formation. You can never stand on it and try to shove it down and you will find that it will not go. I have made the dummy oil well approximately 2" larger than the size of the hole that you 5½" B & W scratcher generally works in, so that it will be easy for you to shove the B & W scratcher into it. If I had made the dummy oil well a fraction of an inch smaller than the over all spring spread of the B & W it would have been possible to reverse it. That is the way that the B & W Company recommend them to be run, but it is not the way that the oil operators like to run them. You can picture to yourself the difficulty that would be encountered in reversing that type of

Plaintiffs' Exhibit No. 196.

Page 3.

scratcher if I had made the dummy oil well smaller. I have seen several strings of casing stuck in the hole when the driller tried to reverse their B & W scratcher, inside of the surface pipe. To get this pipe loose he often had to exert a tremendous amount of pull on it. When the scratcher came out of the hole the springs were bent and disfigured. This was caused principally by the scratchers pulling into the couplings of the casing which of course produce the same condition that would be encountered in jagged formation. When this same thing has happened after several thousand feet of casing has been run in the hole with scratchers on the bottom, the casing has often been stuck permanently in the hole because the weight of the pipe added to the amount of pull that it would take to break down the B & W scratchers was too great for the draw works to pull. Therefore you can see the necessity of having a reversible scratcher.

In summarizing my thought I would say that the following mechanical features are necessary to cause a scratcher to be reversible:

1. All of the springs must be set at an angle to the scratcher housing.
2. All the scratcher springs must be pointed in the same direction.
3. A coil spring must be utilized in order to have sufficient resilience.
4. The scratcher must be installed *free* on the casing with stops above and below it to restrict it to a certain point on the casing so that it may be properly positioned at a specified formation down in the hole.

I hope that I have assisted you in better visualizing what happens when our scratcher reverses. If there is any point that you think I might clarify bring it up and I shall elaborate on it as much as possible.

The scratcher demonstrater was shipped to you today.

Hoping to see you again one of these days, I am,

With my best regards,

JOHN A. HALL

John A. Hall

JAH:mm

IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Intervenors-Appellants,

VS.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

REPLY BRIEF FOR APPELLANTS.

THOMAS E. SCOFIELD,
PHILIP SUBKOW,

*Counsel to Plaintiff and Plaintiff-
Intervenors-Appellants.*

INDEX

Abbreviations	1
The Nature of the Inventions of the Wright Process and Apparatus Patents Are Misrepresented by De- fendants	2
The Wright Process Patent 372	2
Plaintiffs Do Not Infringe the Wright 372 Patent	6
(a) The assertion by defendants that the 372 patent covers a cementing operation is not made in good faith	6
(b) The Hall Scratcher and its use by customers of plaintiffs do not constitute an infringement of the Wright 372 Process Patent	8
The Wright 317 Apparatus Patent and Wright Wall Cleaning Guide Do Not Anticipate the Hall 515 Pat- ent	10
The Wright 372 and 317 Patents Lack Invention over the Prior Art	12
The Wright 317 Apparatus Patent Is Not Infringed by the Hall Scratcher	15
The Place of the Wright 352 Plug-Back Patent in the Art	19
The Plug Back 352 Patent Is Barred by Public Use	22
No Adequate Proof Has Been Made That Plaintiffs In- fringe the Plug Back 352 Patent	27
Defendants by Threat and Notices of Infringement to Plaintiffs and Plaintiffs' Customers Sought to Estab- lish a Limited Monopoly in the Manufacture and Sale of Scratchers Not Covered by Either of the Wright Patents Nos. 2,338,372 or 2,374,317 and 2,392,- 352 and Have Misused These Patents, and This Court Should Deny All Relief to Defendants under Their Counterclaim for Infringement	27
(a) The marking of the invoices with the 60 cent roy- alty notice was a misuse of the Wright patents	30

The Judgment of the Trial Court Dismissing Defendants' Counterclaim for Infringement Should Be Sustained, Irrespective of the Trial Court's Finding of Invalidity Because of Lack of Invention	31
(a) The Trial Court found that the scratchers manufactured and sold by plaintiffs were not covered by letters patent 372 or 317	31
(b) The Trial Court found that defendants had asserted patents 372 and 317 in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by these patents	32
(c) The 352 plug back patent is also invalid because barred by a public use	32
The Hall 515 Patent Was Properly Granted on an Application Filed As a Continuing Application of Serial No. 388,891	33
(a) The Hall 515 patent was filed prior to abandonment or termination of proceedings in the 627,-013 application	36
(b) Similarly, the 627,013 application was entitled to the filing date of the 388,891 application	37
(c) The cases cited by the defendants in support of their contention do not in any way impeach the regularity of the proceedings in the patent office—a regularity which is to be presumed from the grant of the patent	38
Defendants' Claim of Equivalency of the Wright Wall Cleaning Guide and the Hall Scratcher Is Refuted by the Evidence	39
Conclusion	46

TABLE OF CASES

Ballard & Ballard Co. v. Borden Co., 107 F. Supp. 41, at 49	7
B. B. Chemical Co. v. Ellis, 314 U.S. 495 (1942)	31
Celite Corporation v. Dicalite Co., (C.C.A. 9) 96 F. 2d 242, at 250 and 251	29

Chicago Pneumatic Tool Co. v. Hughes Tool Co., (10th Cir. 1951) 192 F. 2d 620, at 630	31
Circle S Products Co. v. Powell Products, Inc., (7th Cir. 1949) 174 F. 2d 562, at 565	29
Dehydrators, Ltd., v. Petrolite Corp., 117 F. 2d 183, at 187	30
Eaton v. Brock, (1954) 124 Cal. App. 2d 10, at 16, 268 P. 2d58	32
Endrezze v. Dorr Co., Inc., 97 F. 2d 46, at 48 (C.C.A. 9)	27
Ethyl Gasoline Corp. v. U. S., 309 U.S. 436, p. 459	31
General Pictures Corp. v. Western Electric Co., 304 U.S. 175, at 182	38
Hall v. Keller, 80 F. Supp., at 770; 180 F. 2d 753, at 754, 755	7
J. C. Ferguson Mfg. Co. v. Am Lecithin, (5th Cir. 1938) 94 F. 2d 729	31
Kishan Singh v. Carr, (9th Cir. 1937) 88 F. 2d 672, at 678	32
Kwikset Locks v. Hillgren, (9 C.C.A.) 210 F. 483	15
Leitch v. Barker, 302 U.S. 159	31
Magnavox Co. v. Hart and Reno et al., 73 F. 2d 433, at 434 (C.C.A. 9)	27
Magnetic Engineering & Mfg. Co. v. Dings Mfg. Co., (2nd Cir. 1949) 178 F. 2d 866, at 868	30
Marlatt v. Mergenthaler Linotype Co., 70 F. Supp. 426	27
McRoskey v. Braun Mattress Co., (9th Cir. 1939) 107 Fed. 143, at 147	31
Mercoid Corp. v. Midcontinent Inv. Co., 320 U.S. 661 ..	31
Metro-Goldwyn-Mayer Corp. v. Fear, (9th Cir. 1939) 104 F. 2d 893, at 899	29
Miller v. Eagle, 151 U.S. 186, 14 S. Ct. 310, 316, 38 L. 2d 121	7
Morton Salt Co. v. Suppiger, 314 U.S. 488 (1942)	31
Muncie Gear Co. v. Outboard Motor Co., 315 U.S. 759, 53 U.S.P.Q. 1, 5	38-39

New Wrinkle v. Fritz, 30 F. Supp. 89, at 91	27
Perfect Circle Co. v. Hastings Mfg. Co., (6 Cir.) 88 F. 2d 813, 816	7
Pointer v. Six Wheel Corp., (9 C.C.A.) 177 F. 2d 153	15
Schriber Schrotte Co. v. Cleveland Trust Co., 311 U.S. 211	6
Sears v. Rule, 27 Cal. 2d 131, 151 P. 2d 443, certiorari denied 328 U.S. 843, 66 S. Ct. 1022, 90 L. Ed. 1617	32
Stoody Co. v. Mills Alloys, (1933) (9 C.C.A.) 67 F. 2d 807, at 809, cert. denied 304 U.S. 573, 58 S. Ct. 1042, 82 L. Ed. 1537	32
United States v. Esnault-Peterie, (1936) 299 U.S. 198, 201, 57 S. Ct. 159, 81 L. Ed. 123	31
Veaux v. Southern Oregon Sales, (9 C.C.A.) 123 F. 2d 455, 457	9, 38

TEXTS AND STATUTES

5 C.J.S., Section 1849, p. 1335	32
Manual of Patent Examining Procedure issued in the United States Patent Office, Department of Com- merce, 1949 Ed., Revision of Nov. 1, 1950	36
Patent Office Rule 198; 35 U.S.C.A., p. 633, 1951 edi- tion, similar to Rule 140 35 U.S.C.A., p. 740 of 1940 edition	36
Patent Office Rule 312 (35 U.S.C.A., p. 665, 1951 edi- tion) similar to old Rule 78 (35 U.S.C.A., p. 726, 1940 edition)	36
Rules of Practice of the U. S. Patent Office, Rule 133, p. 739, 35 U.S.C.A., p. 739, 1940 edition, present rule 191	37
Title 35, Section 120	35
U. S. Code, Title 35, Sec. 271c	9
35 U.S.C., Sec. 37, 1946 edition	37
35 U.S.C. 133, Patent Act of 1952	37
35 U.S.C.A. 1, 191, p. 629, edition of 1951	37
35 U.S.C., Sec. 282	38

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REPLY BRIEF FOR APPELLANTS.

ABBREVIATIONS.

Following the practice adopted in Appellants' main brief, Plaintiff and Plaintiff-Interveners below will be designated as "plaintiffs", Jesse E. Hall, as Hall, Defendants and counterclaimants below as "Defendants", defendant Kenneth A. Wright as "Wright", and defendant corporation B & W, Inc., as "B & W".

The patents of the parties Wright and Hall will be referred to by their last three digits in the following manner:

Wright Process Patent No. 2,338,372 as Wright Pat.
372;

Wright Scratcher Patent No. 2,374,317 as Wright
Pat. 317;

Wright Plug Back Patent No. 2,392,352 as Wright Pat. 352;

Hall Spiral Centralizer Patent No. 2,220,237 as Hall Pat. 237;

Hall Scratcher Patent No. 2,671,515 as Hall Pat. 515.

Appellants' Brief will be called "Pfs. Brief" and Appellees' Brief "Dfs. Brief". Reference to pages of the record will be prefixed by the letter "R".

THE NATURE OF THE INVENTIONS OF THE WRIGHT PROCESS AND APPARATUS PATENTS ARE MISREPRESENTED BY DEFENDANTS.

Since Defendants' brief, insofar as it pertains to the inventions of the Wright process and scratcher patents 372 and 317, is predicated upon misrepresentations as to their subject matter and coverage, these false premises should be exposed and clarified at the outset to avoid possible misinterpretation, and therefore, misjudgment as to their validity and what would be an infringement thereof.

THE WRIGHT PROCESS PATENT 372.

Defendants unequivocally state in their brief that the method of this patent relates to and covers the cleaning of mud from a well bore preliminary to the cementing thereof to effect a better bond between the cement column and earth formations. Instances where such statements occur in their brief, are to be found on page 12, last two paragraphs, page 13, first two paragraphs, page 15, next to last paragraph, page 23, second paragraph and quotation from Davis' testimony page 25, first paragraph and last two paragraphs, page 26, ending near bottom of page, page 28, entire page.

The trial court was not misled as to the true nature of the invention of the 372 patent as shown by its holding, Vol. 1, page 366.

“Moreover the notices were not given in good faith since Patent 2,338,372 does not teach or claim or even mention a method of carrying out the cementing operation incident to the completion of an oil well.”

The fact is that the Wright Process 372 patent has to do solely with the process of increasing the flow of a well by abrasion of the productive strata or oil sand to increase fluid production from the face of the abraded strata. Nowhere in the patent is there mention of cleaning the well bore preparatory to cementing, nor is the cementing of the well suggested in connection with the method.

As filed, the method was described as one for “preparing and maintaining oil wells in an efficient producing condition”. In order to accomplish this result, the inventor recommended that it was “desirable that the walls of the well bore in the producing area shall be placed in condition to insure the greatest amount of fluid yield from the formation” (Pat. Spec. Exh. 37, p. 1, Col. 1, lines 4-8).

In enumerating the objects of the inventor, it is stated that the method contemplates that “the wall of the producing area or areas of the well is thoroughly cleaned or cleared of mud and other materials that may have accumulated during the drilling operation”, and that “the wall of the well in the production area or areas is abraded and cleaned with fluid to expose the virgin earth formation immediately prior to the well going into production” (Pat. Spec. Exh. 37, p. 1, Col. 1, lines 50-53, Col. 2, lines 1-4).

Evidently to satisfy the statute that a clear and concise description of the invention be made there appears the following:

“The method of the present invention may be said to comprise, generally, the following steps or operations, the drilling of a well; providing abrading means on a production string or casing; lowering the casing into the well; manipulating the casing so that the abrading means abrades the wall of the well in and adjacent productive area or areas of the well bore, circulating fluid through the same casing and the well

during the abrading operation to flush out the material abraded from the well wall and to prevent the reformation of a mud cake on the well wall, and then causing or allowing the well fluid from the earth formation to produce or flow out of the well through the self same string or casing" (Exh. 37, p. 1, col. 2, ll. 33-47).

The eight claims of the patent are all drawn to the method of providing a production string with external abrading means positioned on the string so they will be located *in the producing formation* when the string is run into the well and manipulated to clean the well bore. The purpose is stated to be that the virgin earth formation is exposed, facilitating fluid production so that the string is thereafter utilized to carry away the fluid yield.

To determine accurately what method Wright intended to cover by his patent, the most reliable source is the application itself and the contents of the file wrapper, which reveals the prosecution while the case was pending in the Patent Office. This document is in evidence as Exhibit 9. Definitely establishing the purpose for which the method was intended is the paragraph on page 4 of the specification, ll. 20-25 of Exhibit 9, which reads:

"It will thus be seen by this method of conditioning a well a final step in treating the wall of the well is carried on after the casing has been placed within the well, thus assuring that the producing area of the well will be placed in the best possible condition for efficient flow of fluid from the formation."

The claims were rejected on patented art in the first Patent Office action dated November 14, 1939, and in reply by an amendment dated May 8, 1940, Wright attempted to supplement the disclosure by bringing in the concept of cleaning the well bore for cementing. In the same amendment 12 claims were added which included the cementing concept (Exh. 9, paper 14, page 4).

The Jones and Berdine Report (Exh. X) was furnished the Patent Office with this amendment, and it is likely that the knowledge Wright acquired during the Jones and

Berdine tests was the source of this material which Wright sought to add to his application. The dates of these happenings are noteworthy. Wright's method patent 372 (Exh. 37) was filed August 19, 1939, the Jones and Berdine tests were completed in November, 1939, and Wright's attempt to add this cementing disclosure to his application was on May 8, 1940.

It was evidently at the time of filing this amendment that Wright devised the scheme of warping the disclosure of his method to include well completions for cementing.

The method of removing mud cake to obtain a better bond between the cement and earth formation simulated during the Jones and Berdine tests originated with Hall and was first disclosed in his application, Serial 38,891 (Exh. 150) filed in 1935, 4 years prior to the tests, and was also disclosed in the Hall patent 237 (Exh. 151) filed in 1937 as an improvement of the 1935 application as will be more fully discussed *infra*.

In an action dated August 9, 1941, the Patent Office made the following rejection to the Wright application:

"On reconsideration claim 12 formerly deemed allowable is found to contain new matter constituting a departure from the original disclosure. The original specification does not mention the step of cementing. Cementing the casing in position in the well bore is first mentioned in the amendment filed May 11, 1940, when insertions were made * * *. It is required that the insertion on pages 1, 2 and 3 describing the step of cementing made in the amendment filed May 11, 1940, be cancelled as drawn to new matter not originally disclosed" (Exh. 9, p. 26).

The objectionable material sought to be added was cancelled out but still the Patent Office refused to find patentable subject matter so rejected the case finally. Appeal was taken to the Board of Appeals, and at this time the Hall patent 237 was added as a reference.

None of the claims on appeal contained mention of cementing or preparing the well bore for cementing, the

disclosure of these features having been deleted from the specification. In his brief before the Board of Appeals Wright gives the gist of his invention:

“Summarizing the key idea behind applicant’s invention is the placing in a well of a combination of elements, namely, a mechanical cleaner and a production liner which elements function to clean the mud cake from the producing strata and stay in the well to handle the fluid from the formation” (Exh. 9, p. 122).

Obviously, this is a clear case of file wrapper estoppel.

Schriber Schrotte Co. v. Cleveland Trust Co., 311 U. S. 211.

The Trial Court’s understanding of the process of the 372 patent is corroborated and confirmed by Defendants’ belated desire to protect the method in Canada in October, 1947. In the Canadian application the method was that described in the U. S. patent 372, Exh. 37, but not the method Defendants represented to the trade that the patent covered, namely, not cleaning the well bore preliminary to cementing.

The Court was amply justified in finding that the Wright patent “2,338,372 does not teach, claim or even mention a method of carrying out the cementing operations incident to the completion of an oil well” (Finding XV, R. 375-376).

PLAINTIFFS DO NOT INFRINGE THE WRIGHT 372 PATENT.

(a) The Assertion by Defendants That the 372 Patent Covers a Cementing Operation Is Not Made in Good Faith.

The Defendants have known at least since September, 1941, that Wright was not the inventor of a process of cementing including the step of abrading the wall of the well and that the process was disclosed in the Hall 237 patent filed more than two years prior to the filing of the 372 patent.

As stated previously, the Patent Office on August 9, 1941, ruled (see Exh. 9, p. 26) that the application for the 372 patent was not related to any cementing process and ruled that all matter and claims added by amendments dated May 8, 1940 (Exh. 9, p. 11), and March 10, 1941 (Exh. 9, p. 23), be cancelled as new matter.

The Board of Appeals (See Decision dated June 29, 1943) held that the process sought to be patented did not involve invention over Hall and concluded:

“Both Hall and applicant operate by generally the same method, the difference being in apparatus.”

On September 8, 1943, Wright cancelled the method claims.

Four years later the fact that the Hall patent disclosed the process now claimed to be covered by the Wright 372 patent was forcefully presented to Defendants' attention by the following litigation, to which both Plaintiff Hall and Defendants were parties. See *Hall v. Keller and B & W*, filed December 23, 1947, and decided on November 5, 1948 (80 F. Supp. 763, and Decision of 5th C. C. A., 180 F. 2d 753). The method of the Hall 237 patent (Exh. 151) was defined by the District Court at 80 F. Supp. 766, as follows:

“To abrade the walls of the well by removing mud cake thereby permitting the cement to bond more readily to the well wall.”

It will be recalled that the application for the Hall patent was filed on January 6, 1937, based upon an earlier application, Serial No. 38,891, Exh. 150, in this action, and referred to in *Hall v. Keller*, 80 F. Supp., at 770, and 180 F. 2d 753, at pages 754 and 755.

Obviously the Wright 372 patent cannot cover a process disclosed in the Hall patent and be a valid patent. That which would infringe if later anticipates if earlier. *Miller v. Eagle*, 151 U. S. 186, 14 S. Ct. 310, 316, 38 L. Ed. 121; *Perfect Circle Co. v. Hastings Mfg. Co.*, (6 Cir.) 88 F. 2d 813, 816; *Ballard & Ballard Co. v. Borden Co.*, 107 F. Supp. 41, at 49.

The Trial Court finding that the assertion by the Defendants that the Wright 372 patent covered a process of cementing was without probable cause, unfair competition, and an attempt to assert an illegal monopoly, was thus well founded in the evidence.

(b) The Hall Scratcher and Its Use by Customers of Plaintiffs Do Not Constitute an Infringement of the Wright 372 Process Patent.

The evidence shows that:

- (a) The Plaintiff did not carry out the accused method.
- (b) That they were selling a staple commodity suitable for many non-infringing uses.
- (c) That the process carried out by their customers is not the process of the 372 process patent.

Contrary to the assertion of Defendants (Dfs. Brief, p. 39) that the Court has not made any findings on the question of infringement of the Wright 372 patent, the Court has found that notices on the 372 patent were given by the Defendants "in order to establish a limited monopoly in the manufacture and sale of scratchers not covered by said Letters Patent 2,338,372" and were given "unfairly and without cause" (Findings XV and XVa, R. pp. 375-376).

It is elementary that the burden of establishing infringement by competent evidence is on the Defendant here who is asserting the patent against Plaintiff.

There is no obligation, as asserted by Defendant, on an accused infringer to differentiate his process from that of the patent alleged to be infringed (Dfs. Brief, p. 40).

The Defendant in support of his burden has stated the following to have been established without documentation to the Record (See Dfs. Brief, pp. 39-41).

"That Defendants (*sic*) have used a process referred in publication of defendants (*sic*) as Weatherford Formula."

No documentation to the record is provided to establish what this formula is or its use by Plaintiff.

The fact is that Plaintiff does not employ any method of well completion whether it be the method claimed by the 372 process patent or process of cementing not covered by this patent, but is merely the manufacturer and vendor of tools employed in such cementing operations. Such tools are the scratchers here involved. The scratcher is a staple article of commerce suitable for substantial non-infringing use.

Reference to Exhibit 4, page 7, will show that these scratchers have many uses, which are entirely different from the use of the scratcher included in the 372 patent and other than for cementing (see list of scratcher uses, R. p. 3467). These are "substantial non-infringing uses", and thus the manufacture and sale of such scratchers cannot be contributory infringement (See *U. S. Code, Title 35, Sec. 271c*).

The contention that copying claims of the 372 patent by Hall is an admission of infringement is not meritorious.

The reference made by Defendants, page 39 of their brief, to the above circumstances is undocumented and unsupported by any citation of law. It refers no doubt to the facts recited in our opening brief (see page 64).

It is well settled that no admission of infringement or estoppel to deny infringement arises from copying of claims for purposes of interference in the U. S. Patent Office. No estoppel to contest infringement or validity can result from any such circumstance.

Veaux v. Southern Oregon Sales, (9 C. C. A.) 123
F. 2d 455, 457.

The evidence already discussed in our main brief, page 69, and *supra*, shows that the process employed by Plaintiffs' customers and which Plaintiffs are also charged to have participated in (Dfs. Brief, pp. 40 and 41), consisted of mounting scratchers on a casing so that they are freely rotatable and have limited longitudinal movement. The casing is reciprocated so that the scratchers are caused to rotate and reciprocate on the casing and scratch the entire surface of the bore of the well where the cement is to be

placed. The cement is introduced into the bore hole with the scratchers in position and a cement bond is made, sealing off the formation at the face of the well bore and bonding the casing to the well bore. The cemented face of the well formation is thus not the source of the fluid produced by the well. The fluid is therefore not produced from the face of the formation. This is not disputed by the parties (See reference to Weatherford Formula, Dfs. Brief, pp. 39 and 40).

The Court found that the Wright 372 patent does not teach claim or even mention a method of carrying out the cementing operation incident to the completion of an oil well (Finding XV, R. p. 376), and thus the patent does not cover the above operations.

The evidence discussed above and these findings conclusively establish the lack of merit of Defendants' appeal from the Court's judgment, dismissing their counterclaims irrespective of the Court's finding of lack of invention.

THE WRIGHT 317 APPARATUS PATENT AND WRIGHT WALL CLEANING GUIDE DO NOT ANTICIPATE THE HALL 515 PATENT.

Again the trial court was not misled as to the true nature of the invention and scratcher structure Wright intended to cover in his apparatus patent 317 and found accordingly the patent to be invalid (R. pp. 343-344).

The invention is clearly revealed by an examination of the file wrapper Exhibit 8. This apparatus application was filed December 10, 1940, about a year and four months after the filing of the method 372 patent. Wright had been unable to convince the Patent Office that he contemplated well bore conditioning prior to cementing in his method application, so incorporated the disclosure necessary and submitted claims to that method in the apparatus case.

In the first Patent Office action filed during the prosecution of this second application method claims Nos. 1 and 2 were refused as unpatentable because of apparatus limitations. By amendment dated September 11, 1941, three additional method claims were added, all including well conditioning for cementing and in one the actual cement-

ing operation. In the argument accompanying this paper, there is a significant statement in view of the evidence in this case concerning the identity of operation of the Hall type scratchers and the Wright wall cleaning guides. In attempting to differentiate the operation of the wire bristles of the Wright guides with the coil spring mounted bristles of the Black patent (Exh. 172). Wright's attorney had this to say:

"The action is different from that obtained by use of coil springs in the complicated mounting accessory in the Black structure."

The coil spring mounting of Black is similar to that of Hall and was later adopted by Wright and B & W in the Nu-Coil scratcher.

The next Patent Office action dated December 19, 1941, rejected all the method claims on the Hall and Steps *et al.*, patents, the former being Hall 2,220,237 (Exh. 151). At this time there were five method claims in the application, numbered 1, 2, 12, 13 and 14. In response to the Examiner's rejection, he cancelled 1, 2, 12 and 14 and amended method claim 13 besides adding claims 15-27, all of which were apparatus claims except 26 and 27. At this stage of the prosecution method claims 13, 26 and 27 were in the case and claim 26 covered the use of abrading means on a perforated liner and the use of a wash pipe for preparing a well for production which was the method covered by the first application (Exh. 9) still pending before the Patent Office. In the argument submitted with this amendment Wright attempted to differentiate the invention from the Hall and Steps *et al.*

On March 27, 1942, in reply to the amendment, the Patent Office, after having allowed apparatus claims in the case, finally rejected the application insisting upon the unpatentability of the three method claims 13, 26 and 27. On August 18, 1942, claim 26 was transferred to the Wright method case, and an appeal was taken in the apparatus case to the Board of Appeals. Before the Board, the Steps *et al.*, and Hall patents were again cited as references anticipating the method claims. Briefs were filed and the Board of Appeals' decision was rendered on January 28,

1943. In that document is contained definite notice to Wright and B & W the identity of the originator of the method of conditioning a well bore for cementing by manipulating a casing upon which are mounted abrading means, for this was the method covered by the Wright claims on appeal.

This is what the Board of Appeals had to say about inventorship of this method (Exh. 8, Paper No. 21, p. 2):

“As to claims 13 and 27, applicant (Wright) contends that neither Hall nor Steps *et al.* substitutes cement for mud during the act of abrading. Claim 13 is not so worded and only requires that the cement be forced in while the abrading means tend to center the casing. We fail to see where claim 13 defines invention over Hall. See lines 20 to 33, Column 2, and line 70, Column 1, page 3 of Hall.

As to claim 27, we do not consider it inventive to feed the cement in the Hall process during abrading. Both Hall and applicant (Wright) operate by generally the same method, the difference being in the apparatus.”

Following the decision, Wright cancelled the two method claims, 13 and 27 from his case, and it was issued with only apparatus claims.

THE WRIGHT 372 AND 317 PATENTS LACK INVENTION OVER THE PRIOR ART.

The Trial Court's finding of lack of invention of the 317 patent is supported by the evidence. The proposition upon which defendants must predicate invention in the 372 and 317 patents is that the use of a wire brush to remove mud from a tubular wall is invention. The prior art taught that wire brushes mounted on pipes could be run into oil wells for cleaning accumulations from tubular walls, see the following:

A scraper for scraping the walls of the bore hole to enlarge it. Muehl 1,402,786 (Exh. 268 G).

Wire fingers working on the principle of a rotary brush mounted on a tubular structure to be run into a well to clean the wall of the bore hole. Rogers 1,423,625, page 3, col. 1, lines 15-30 (Exh. 268 H).

McGregor 1,806,073 (Exh. 268 J) shows brushes mounted in a tube to be lowered into a well to clean a tubular wall. See also Bashara 1,342,618 (Exh. 268 D) and 1,380,517 (Exh. 286 F).

Black *et al.* 2,151,416 (Exh. 268 K) for a tubular element carrying wire bristles to be lowered into a bore hole to clean a tubular wall.

Miller *et al.* 2,157,493 (Exh. 268 L) discloses a bore wall scraper to scrape the wall of a bore hole to "scrape paraffin and similar substances from the walls of a well so that the oil may again flow freely from the well," page 1, col. 1, lines 1-8.

Hall 2,220,237 (Exhs. 151 and 269 I) teaches that mud may be removed from the face of the formation by mounting a scraper on a casing and reciprocating the casing.

It would seem however, that art to establish the point that one way to remove mud from a wall is to scrape it off would not be necessary. That the District Court was amply justified in its finding of no invention in the Wright 372 and 317 patents is conclusively shown by this prior art.

The process covered by the claims of the 372 Patent is based on the following propositions as alleged by the patentee:

(a) That in drilling an oil well the mud circulated during drilling plasters up the walls of the well. The 372 patent, page 1, col. 1, lines 1-22, recites this as the common experience of the art.

(b) That this plastering of the wall retards the flow of fluid from the formation when the well is put on production. The patentee admits that this is obvious: 'It will be evidence that the mud deposited on the well wall during drilling operations will tend to retard the flow of fluid from the formation when the well is put on production.' Page 1, col. 1, lines 22-25.

(c) That the removal of this mud by scraping it off would benefit the flow is an obvious conclusion from the above and is taught by the following prior art references:

Minnis *et al.* 202,570, Exh. 268-A, page 1, col. 1, 2d and 3d paragraphs, page 2, bottom of col. 1 and top of col. 2.

Rogers, 1,423,625, Exh. 268-H, page 1, col. 1, lines 16-30, and page 2, col. 2, lines 80-85.

Clark, 1,572,769, Exh. 268-I, page 1, col. 2, lines 77-82.

Miller, 2,157,493, Exh. 268-L, page 1, col. 1, lines 1-5.

(d) That a liner, such as a slotted casing, may be used to carry off the formation fluid is admitted to be old and common practice by the patentee in the 372 patent, page 1, col. 1, line 35.

(e) That the mud should be removed before the casing is set into position is common sense and is evident without argument for the patentee admits as much. See 372 patent, page 1, col. 1, lines 26-42. It is shown also by the patents referred to above.

(f) The solution of this problem suggested by the patentee and for which patent was obtained, is that the way to remove mud to facilitate flow of fluid from the formation is to scrape off the mud by means of an abrading device mounted on the casing. That a scraping device mounted on the casing will scrape off the mud is so elementary as to require no argument. If art is needed, Hall 2,220,237 (Exhs. 151 and 269 I), referred to above is sufficient.

(g) There remains the conclusion that having scraped off the mud by the use of a scraper mounted on the casing, the casing may be used as a conduit to carry off the oil which results. The use of such conduits to carry off the oil is admitted to have been old and common practice by the patentee [See (d) *supra*].

No new combination results from the aggregation of old steps each performing their old functions and the aggregation producing no more than the sum of the functions which each of the steps have always performed. No new concept or inventive idea, no new result or function is present in the process described and claimed in 372 patent and not a single novel contribution is made to the art of producing oil.

Kwikset Locks v. Hillgren, (9 C.C.A.) 210 F. 483.

Pointer v. Six Wheel Corp., (9 C.C.A.) 177 F. 2d 153.

THE WRIGHT 317 APPARATUS PATENT IS NOT INFRINGED BY THE HALL SCRATCHER.

The Trial Court found that the notices on the 317 patent were given by Defendants in order to establish a limited monopoly on the manufacture and sale of scratchers not covered by the patent and were given "unfairly and without cause" (Findings XVb and XVc). These findings therefore hold that what Plaintiffs were making and selling and the use thereof by Plaintiffs' customers did not infringe the Wright 317 patent. These findings are amply supported by the evidence.

Defendants' proofs of infringement of the Wright 317 apparatus patent are about as reliable and convincing as those relied upon for infringement of the Wright 372 process patent. The fact that Hall put the patent number under a cut of his scratcher in some of his advertising literature when he considered he had a license under the provisions of the Hall-Wright agreement (Exh. 34) does not satisfy the requirements that the law puts upon such proof. Nor would photographs or cuts taken from advertising literature, unless accompanied by credible testimony constitute adequate proofs of infringement (Dfs. Brief, p. 42).

As to "substantial identity, mode of operation, structure and combination of elements", let us examine the record. The Wright apparatus patent 317 pertains solely to a radial bristle scratcher and defendants have limited their charge of infringement to claims 1, 2, 5, 6, 10 and 15.

The Hall scratcher does not infringe any of these claims because the collar or sleeve of the Hall scratcher is not "secured on" the casing but is rotatably mounted between lugs to give a limited longitudinal movement and free rotative movement. That the Wright claims must be read with this limitation is undeniably established by the showing in the drawings and the disclosure in the specification. Indicating the manner of fastening the Wright guides to the casing, the patent reads:

"To accomplish this it is desirable to attach an abrading member *permanently* to the perforated casing" (emphasis ours) (Exh. 38, page 1, column 2, lines 13-18).

Again on page 2, column 2, lines 29-39, it is stated:

"Here it will be seen that each unit comprises an inner sleeve 14 *secured* on the casing 11 and around the circumference of which are mounted ribs 15. The ribs 15 extend longitudinally of the sleeve and are *secured* at their opposite ends to the outer circumferential face of the sleeve. By reference to Fig. 3 it will be seen that the opposite ends of the ribs, as indicated at 16 lie flat against the circumferential face of the sleeve and may be *spot welded* in place" (emphasis ours).

It will be noted that the fastenings of the sleeve to the casing and the ribs to the sleeve are defined and designated identically by the term "*secured*" so there can be no question that the term as used by the inventor meant "fixedly attached."

This is confirmed by another reference to the specification reading:

"In operation of the apparatus here disclosed and a typical method to be practiced the cleaning and centering guide units 12 *are fixed* on the casing in spaced relation to each other along a desired length of the casing. * * * It is desirable to mount the guide units 12 permanently on the casing or well screen as the

case may be" (Exh. 38, specification, page 3, column 1, lines 35-39; page 3, column 1, lines 53-55).

That the inventor never intended that the guides should rotate on the casing is also shown by the design and arrangement of the wires upon the sleeve in a manner to obtain as complete coverage as possible with a permanently fixed sleeve or guide unit.

"* * * since the various fingers 22 of the guide unit are arranged in staggered relation to each other, the wall is simultaneously engaged in different planes so that a thorough abrading action is effected" (page 3, column 1, lines 69-75).

To conclusively show that that was all that was ever intended in this patent by these words "fixed", "secured on", "permanently fixed", attention is called to the "plug back" patent No. 2,392,352 (Exh. 39), and reference is made to the disclosure at the bottom of column 1 on page 2, at line 69:

"Under such circumstances approximately 150 feet of three-inch wash pipe as indicated at 12 is placed on the lower end of a string of drill pipe 11 and *secured* thereto and in communication therewith."

The word "secured" again appears in the above quotation, and attention is directed to the fact that this patent (Exh. 39) is the first patent that ever showed in the drawings the mounting of the Wright scratcher between lugs, and when he refers to the mounting of the scratcher in this particular patent Wright does not specify that it is "secured," as he did in the 317 patent.

Refer now to the bottom of page 2, column 1, the last line reads:

"Before placing the wash pipe in the wall the abrasive units"—

that is, the scratchers 14—

"are mounted upon the wash pipe at intervals of 10 feet and arranged uniformly over the lower 1,000 feet of wash pipe."

Here it will be noted the inventor is describing the two types of the mountings of his scratchers—one permanently fixed mounting, as is shown in his 317 apparatus patent, Exhibit 38; the other the rotatably mounted scratcher shown in the 352 patent, Exhibit 39.

The Hall scratcher does not infringe the claims for the second reason that into the claims relied upon must be read the limitation that the fingers or wires extend or project from the sleeve or support *radially*. Hall's wires project non-radially, that is at an angle to the radial or what is termed "side-wise inclination."

That Wright contemplated only radial fingers is shown by the drawings, particularly Figs. 2 and 4. The specification of the Wright patent explicitly confirms the fact that only radial bristles were intended.

"* * * At one end of the spring element 21 the finger 22 occurs. This finger is arranged or shaped to assume a *radial* position with relation to the circumference of the sleeve. * * *" (emphasis ours) (Exh. 38, page 2, column 2, lines 53-57).

"* * * By reference to Fig. 3, it will be seen that the spring and finger elements are arranged in spiralled or helical sets, the fingers 22 being disposed *radially* of the sleeve and spaced consecutively around the sleeve in equal spaced relation to each other. * * *" (emphasis ours) (Exh. 38, page 2, column 2, line 73 to page 3, column 1, line 3).

"* * *

"It is to be understood that since the spring fingers 22 are all of the same *radial* length their outer ends when unflexed terminate an equal distance from the sleeve. * * *" (emphasis ours) (Exh. 38, page 3, column 1, lines 17-19).

Had the inventor Wright intended to include bristles or wires projecting in any fashion other than radially, he must have disclosure to justify such interpretation. This is basic in determining the scope of patent claims.

Contrary to Defendants' contentions, the claims of the 317 apparatus patent are relatively narrow when construed

in the light of the prior art. Claims 1, 2, 5, 6 and 15 included (a) a casing, (b) a sleeve secured on the casing, (c) abrading fingers projecting radially from the sleeve to engage the well wall. Claims 1 and 2 include in addition (d) means for yieldably supporting the wires.

Since the Weatherford equipment or Hall scratchers are invariably rotatably mounted upon the casing and have side-wise bristles or abrading wires angularly disposed to the supporting collars, they are not an infringement of any of the claims of the Wright apparatus patent in suit.

The Defendants' scratcher (Physical Exh. 40) has spring fingers extending non-radially or with side-wise inclination flexibly attached to a support or collar free to slide longitudinally within limits and free to rotate upon the casing. This construction and method of mounting provides the reversible function characteristic of the Hall type scratcher and not capable of accomplishment by the radial bristle scratcher of the 317 patent (See Pfs. Brief, page 69).

THE PLACE OF THE WRIGHT 352 PLUG-BACK PATENT IN THE ART.

The prior art patents cited against this plug-back invention show that it was old to place a plug or bridge in a well bore and obtain a bond between the cement of the plug and the earth formation where the plug is placed. The Lake and Phelps patent (*Exh. 269A*) teaches the cleaning of the formation with acid for the placing of a cement plug, and there is mentioned hydrochloric acid, sulphuric acid and nitric acid, each of which are capable of breaking down the colloidal structure in the mud and causing the mud layer to become suspended in the well fluid. By a disintegration process the acid acts upon the colloids that are contained in the mud layer.

Halliburton (*Exh. 269B*) describes a plug back and bridging operation performed with a tubing or casing which corresponds to Wright's wash pipe. His primary purpose is to prevent freezing of the wash pipe in the

cement during the placement of the plug or bridge. Quoting from the patent, page 1, column 1, lines 41-49:

“In general the process and apparatus of the present invention comprehends that the damage of freezing the tube in the well may be avoided by the provision that the end of the tubing have a special plug back device or section of tubing detachable from the remainder of the tube so that it may be intentionally left in the bottom of the well hole after the plugging back or bridging operations.”

This patent also has a disclosure of raising the wash pipe after the mass of cement has been placed to wash out excess cement which is a specific limitation in claim 3 of the Wright patent. In other words, after the cement has been placed, the wash pipe is lifted above the plug and circulation of the well fluid is started in order to take off excess cement above the plug and circulate it to the surface where it is rejected from the system. The patent says on page 1, column 1, lines 19-26:

“The fluid cement is then pumped through the tubing or casing to a height somewhat above the point where the well is to be shut off or plugged and the casing has been elevated to the desired shut off point, whereupon the excess cement has been removed from the well hole by circulating mud down the casing or tubing to wash out such excess cement.”

The Pew and Baum patents (*Exhs. 269C and 269J*) show an appreciation as does Lake and Phelps (*Exh. 269A*) of the importance and necessity of obtaining a satisfactory union or bond between the cement plug and the earth formation to prevent infiltration of water or gas into the producing area; in other words, a water shut-off. Pew does it by filling the well with mud, then introducing water under pressure into the bottom of the well to fill the water sand with water while permitting the displaced mud to overflow at the surface. He then displaces the water in the water sand with cement forcing it out into the formation or

structure to obtain a good bond. Claim 1 of the patent describes the method contemplated by Pew:

“A method of closing off water sands from an oil and gas well, including filling the well with mud, introducing water into the lower end of said well to raise the head of said mud away from the water sand strata, closing up the upper end of the well, forcing the water under pressure into said water sand only and washing the same, leaving the oil sand undisturbed, pumping fluid cement under pressure into the washed water sand and forcing said cement deeply into the water sand radially away from the well bore and holding said cement in position until it hardens.”

Baum states in his specification on page 1, column 1, lines 20-23:

“When the well bore is drilled through the oil and gas producing formation into the water sand or formation there below it has been common practice to introduce cement into the bottom of the bore to provide a cement plug therein. Various methods have been employed for introducing the cement, but cement plugs have been found unsatisfactory because the water eventually seeps around them and after a time flows in sufficient volume to kill the well. In order to completely close the water formation with cement it is necessary that the cement be forced deeply into the formation so as to obviate the possibility of flow around the cementing.”

Baum does this by putting a valve in the lower end of his wash pipe capable of sustaining the weight of the column of cement, the valve being operated by differential pressure whereby a surface control of the operation of the valve is maintained and the cement effectively forced into the formation.

The Wright method and apparatus patents (*Exhs. 269K and 269L*) also cited against the Wright plug back patent and the Hall spiral centralizer patent (*Exh. 269I*) have all been relied upon to show that it was old to mount

an abrading or scraping means, whether brushes, wall cleaning guides or spiral centralizers to remove mud cake from the well bore. The Hall patent (*Exh. 269I*) also in evidence as *Exh. 151* was likewise cited to show that it was old in the art to mount abrading or scraping means on a casing or tubing preparatory to a cementing operation to obtain a more satisfactory bond between the cement plug and the earth formation.

It is submitted that the prior art patents alone establish that the patentable novelty present in the plug back procedure taught by the Wright patent (*Exh. 39*) is of exceedingly low order if it exists at all. The Trial Court was certainly justified in finding that the Wright 352 patent lacked invention (*Finding XXXV*).

THE PLUG BACK 352 PATENT IS BARRED BY PUBLIC USE.

Considering now the question of public use that plaintiffs have pleaded against the plug back patent, the patent is invalid because it is barred by the public use of the Union Oil Company wells Rosecranz 38 and 39. The details of these wells and exhaustive proofs concerning their operation were offered to establish the use of B & W wall cleaning guides in these wells in March of 1940. The Union Oil Company reports of the two wells were produced by defendants, and they were stipulated in evidence besides being explained during testimony given by Barkis. The report of Rosecranz No. 38 is dated March 1, 1940, and is in evidence as *Exh. 184*, also *Exh. KKKK*. The report of Rosecranz No. 39, dated March 15, 1940, is in evidence as *Exh. 185* and also as *Exh. LLLL*.

Upon investigation of these reports, it became evident that in both wells cement plugs had been placed according to the method of the Wright plug back patent (*Exh. 39*). The dates of running these plugs were more than a year prior to the filing date of the patent, so it was important to have testimony of someone who had personal knowledge of the operations. Fortunately, the defendants furnished the witness who was eminently qualified

to give this testimony and supply these facts. His deposition was transcribed into the Record as Exh. DZ3 (R. 1217-1249). Sketches of the two wells made on the stand by the witness Evans during the Public Use Proceeding are in evidence as Exhs. AO1 and AO2.

From 1933 to 1945, according to Evans' testimony, he was employed by the Union Oil Company, and in the early part of 1940 was located in the southern district working out of Dominguez, California, in what he termed as the "Dominguez Rosecranz" area. He was assistant petroleum engineer and acted as assistant to the district manager. His duties, according to his testimony, were supervising the coring, interpretation of electrical logs, determining coring points and total depths of wells, cross-sectional work, supervising the running of casing, and the cementing of oil strings or casing (R. 1218).

He identified the records of the two Union Oil Company wells Rosecranz 38 and 39 and the handwriting on the reports to be principally his. His signature was placed on the reports within a few minutes after the wells were cemented. A detailed report was made of the cementing operations, including a description of casing and its appliances before he left the rig, or right after the cement job (R. 1220). The equipment in Rosecranz well No. 38 was described as follows:

"It was a seven-inch casing which had a Baker down-whirler float shoe on the bottom. Above that was a Hall spiral centralizer, eight feet up from the bottom and B & W scrapers 26 feet from bottom and 32 feet from bottom respectively, and a Baker float collar 45 feet from the bottom."

This description was read from the report (Exh. 184). The B & W scrapers, as he termed them, were identified as wall cleaning guides shown in the Wright patent (Exh. 38) and plug back patent (Exh. 39). On direct examination, Evans testified:

"The casing was reciprocated during the time the cement was being pumped into the well."

Evans was then examined on Rosecranz well No. 39 which he identified as another well cemented under his supervision on March 15, 1940, at 2:45 p. m. (R. 1221-1222). Again he explained the make-up of the well.

“At the bottom shoe joint a spiral guide 8 feet up and the scratchers 26 and 32 feet up from the bottom.”

The same type of B & W wall cleaning guides were used on the well as in Rosecranz No. 38. The witness then explained that plugs were run in both these wells.

“Q. I believe with respect to the previous report you used the expression ‘running plug.’ What does that mean?”

“A. When the hole was drilled below the depth at which you wanted to cement your casing, it was customary to lower the casing perhaps 20 feet, sometimes 15 feet—in this case I see it was 20 feet—below the point at which you wanted to finally cement the casing until the casing or until the cement had started out through the bottom of the casing or through the shoe joint, and then it was at some time after that was started out that casing had to be down at the lowest point, in order that the cement was puddled until the final job, when you pulled the pipe up the 20 feet, and there it was parked.”

“* * *

“Q. That meant that you put a 20-foot plug in the bottom of the well?”

“A. That’s right, at the same time that we were cementing.

“Q. That might not be on bottom, but it was 20 feet below the desired depth of the casing?”

“A. That’s right, sometimes 10, sometimes 15, but that was the reason.

“Q. In this case was the casing reciprocated during cementing?”

“A. Yes.

“Q. About how rapidly was the casing moved in these cementing operations?”

"A. Not very rapidly. I would say we would normally move it, in a running bridge, where we were laying in a running bridge, we would move it, position the running bridge interval as noted, plug another 10 or 15 feet above possibly, move the shoe joint, and in terms of time just a slow movement up and down, without creating any seizure, but just enough to let the scraper or scratcher or cleaners actually do that job, actually clean or scratch" (R. 1227-1228).

On cross-examination, Evans was asked if he could draw a cross-sectional sketch from the reports of the two Rosecranz wells 38 and 39 showing how the scratchers were positioned and how the cement was put in. The sketches of the wells were made by the witness on separate sheets of paper and are in evidence as Exhs. AO1 and AO2. Evans' description of his sketch made from the reports of Rosecranz 39 is found in the Record, page 1231.

Evans then made a second diagram from the well reports of Rosecranz 38. His explanation of this sketch is found in the Record, pages 1232-1233.

Evans was questioned with regard to the method that was used in placing the plugs in the Rosecranz wells Nos. 38 and 39, and there was read to him the elements of one of the claims of the Wright plug back patent. His testimony in reply to this examination is found in the Record, pages 1243-1244.

"I think I forgot just one question I would like to ask you.

"A. All right.

"Q. I am going to read to you a method, and I am going to ask you if you will indicate whether or not this method was practiced in either or both of these wells, and I will read it step by step, and if you will just indicate whether the particular step was practiced during the laying in of this cement in either of these wells, Rosencranz 38 and 39?

'A method of placing a well plug or the like in a well bore.' Was that done?

"A. Oh, yes.

"Q. 'Including mechanically abrading the wall of the well bore at the zone in which the plug was to be formed by operating and abrading means in said zone of the well whereby extraneous material on the walls of the wellbore is dislodged therefrom.'

"A. Well, actually in the plug zone, you will see by the very mechanics of the thing that the scratchers were not below it. The Hall spiral guide was in contact with some portion of that plug, also the upper portion and what scraping or cleaning job or dislodging job which was done by it was done in the plug zone, like—

"Q. Did you circulate a liquid into and out of the well bore to remove said dislodged material?

"A. Oh, yes, we circulated the cement and the mud—and the mud.

"Q. And then did you deliver a quantity of cement slurry to the zone at which the plug is to be formed in the well?

"A. Yes.

"Q. Then did you mechanically agitate the mass of cement thus delivered by the movement of abrading means?

"A. That's right, insofar as we were able, yes.

"Q. And thereafter did you withdraw the abrading means from the mass of cement issued material and then allow the cement to set?

"A. Yes."

It will be seen from Evans' testimony that in the two Rosecranz wells Nos. 38 and 39, B & W wall cleaning guides and a centralizer were mounted on the outside of a wash pipe or casing which was run into the well and manipulated. Evans stated that according to the Jones and Berdine tests they had been instructed in placing these cement plugs and bridges in order to get a firm bond between the cement and the formation. While putting in the cement plug, they agitated the cement until just before it set and then raised the pipe to the top of the level of the cement plug and permitted the cement to set. After it is set casing was rested on the top of the plug.

It was thereby conclusively established that the cementing method that the witness Evans described is exactly that covered by the Wright plug back patent. This method was practiced by the Union Oil Company in March of 1940, more than a year prior to the filing date of the plug back patent on August 6, 1941, and is therefore a complete bar under the statute to the grant of a valid patent.

**NO ADEQUATE PROOF HAS BEEN MADE THAT
PLAINTIFFS INFRINGE THE PLUG
BACK 352 PATENT.**

Defendants' proofs of the alleged infringement of the plug back patent are set forth at pages 47-49 of Defendants' brief. They consist of excerpts from Plaintiffs' advertisements where instructions are given as to use of a plug back stinger. There is no evidence in this case that Plaintiffs ever operated a stinger or that one of their customers ever placed a cement plug or bridge following the instructions of Plaintiffs. The proofs therefore are totally inadequate under the law to establish infringement of the patent. *Magnavox Co. v. Hart and Reno et al.*, 73 F. 2d 433, at 434 (C.C.A. 9); *Endrezze v. Dorr Co., Inc.*, 97 F. 2d 46, at 48 (C.C.A. 9); *New Wrinkle v. Fritz*, 30 F. Supp. 89, at 91; *Marlatt v. Mergenthaler Linotype Co.*, 70 F. Supp. 426.

**DEFENDANTS BY THREAT AND NOTICES OF IN-
FRINGEMENT TO PLAINTIFFS AND PLAINTIFFS'
CUSTOMERS SOUGHT TO ESTABLISH A LIMITED
MONOPOLY IN THE MANUFACTURE AND SALE OF
SCRATCHERS NOT COVERED BY EITHER OF THE
WRIGHT PATENTS Nos. 2,338,372 OR 2,374,317 AND
2,392,352 AND HAVE MISUSED THESE PATENTS, AND
THIS COURT SHOULD DENY ALL RELIEF TO DE-
FENDANTS UNDER THEIR COUNTERCLAIM FOR
INFRINGEMENT.**

Defendants assert on page 51 of their brief as follows:

“The District Court did not find either in its Memorandum or Findings, that such notices were not sent

in good faith, or that such notices were sent without probable cause.”

This is contrary to the fact. The Court stated in its Memorandum (R. p. 336):

“Among the acts of unfair competition claimed by plaintiff and plaintiff-interveners is the allegation that defendants Wright and B & W, Inc., both before and during the pendency of this litigation, have unfairly and without cause notified customers of plaintiff and plaintiff-interveners that the customers infringed the monopoly of the Wright Method Patent No. 2,338,372 by the use of scratchers in the cementing operations incident to completion of oil wells.

“The evidence sustains the charge, since it is clear that the notices were given, directly and indirectly, without any intent that the notices serve as a preliminary to suit. Moreover, the notices were not given in good faith since Patent No. 2,338,372 does not teach or claim or even mention any method of carrying on the cementing operations incident to the completion of an oil well [Cf. *Morton Salt Co. v. Suppinger Co.*, 314 U.S. 488 (1942); *B. B. Chemical Co. v. Ellis*, 314 U.S. 495 (1942); *Schriber Co. v. Cleveland Trust Co.*, 311 U.S. 211 (1940); *Dehydrators, Ltd., v. Petrolite Corp.*, 117 F. 2d 183 (9th Cir. 1941); *Celite Corp. v. Dicalite Co.*, 96 F. 2d 242 (9th Cir.), cert. denied 305 U.S. 633 (1938); *Circle S Products Co. v. Powell Products*, 174 F. 2d 562 (7th Cir. 1949); *Metro-Goldwyn-Mayer Corp. v. Fear*, 104 F. 2d 892 (9th Cir. 1939); *Adriance Platt & Co. v. National Harrow Co.*, 121 Fed. 827 (2d Cir. 1903)] [664].”

The Court found (Findings XIV, XV, XVa, XVb, XVc, R. page 3756) that

(1) These notices were given without intent that the notices serve as a preliminary to suit (Finding XIV).

(2) These notices were not given in good faith (Finding XV).

(3) That the 372 patent did not teach, claim or even mention cementing (Finding XV).

(4) That the notices under 372 patent were given to establish a limited monopoly in the manufacture and sale of scratchers not covered by the 372 patent (Finding XVa).

(5) That the notices given under the 317 patent were unfair and without cause (Finding XVb).

(6) That the notices were without intent that they serve as a preliminary to suit (Finding XVb).

(7) That the notices were given in order to establish a limited monopoly in scratchers not covered by patent 2,374,317 (Finding XVc).

We have documented the various instances of such notices in our opening brief, pages 6 to 19, inclusive.

That the giving of such notices is unfair competition.

See *Celite Corporation v. Dicalite Co.*, (C.C.A. 9) 96 F. 2d 242, at pages 250 and 251.

Metro-Goldwyn-Mayer Corp. v. Fear, (9th Cir. 1939) 104 F. 2d 893, at page 899, in which this Court said in deciding that appellant was entitled to an injunction:

“The sending of the letters to appellant’s customers is admitted in the answer. It is clear that the sending of these letters by appellee was improper and that appellee was not entitled to take such action in order to protect its rights under its patent, No. 1,891,225. The patent was introduced in evidence and covers a machine designed to be used for the processing of exposed film. It does not cover nor claim the developed film as invention. The sale or use of the products of the machine (the film) by the customers of appellant would not constitute an infringement of the machine patent.”

See also:

Circle S Products Co. v. Powell Products, Inc., (7th Cir. 1949) 174 F. 2d 562, at page 565.

The judgment of the Court dismissing the Counterclaims of Defendants for infringement of the Letters Patents 2,338,372, 2,374,317 and 2,392,352 should be sustained irrespective of the finding of invalidity of the above patents.

(b) The Trial Court Found That Defendants Had Asserted Patents 372 and 317 in Order to Establish a Limited Monopoly in the Manufacture and Sale of Scratchers Not Covered by These Patents.

These are findings on which it is proper to conclude the Defendants have misused their patents in an effort to illegally restrain competition. The Court's dismissal of the counterclaim should thus be affirmed. For like reason the counterclaim for infringement of the 352 patent for this patent was misused along with the 372 and 317 patents.

(c) The 352 Plug Back Patent Is Also Invalid Because Barred by a Public Use (See discussion, *supra*).

A Court should dismiss an action for infringement of a patent when the patent has been used in an effort to establish a limited monopoly not secured by the patent (See cases cited *supra*).

This Court may sustain the dismissal of the counterclaim for infringement irrespective of whether or not the Court was justified in finding that all of the Wright patents are invalid for lack of invention.

The rule is stated in *Eaton v. Brock*, (1954) 124 Cal. App. 2d 10, at p. 16, 268 P. 2d 58.

See also:

Sears v. Rule, 27 Cal. 2d 131, 151 P. 2d 443, certiorari denied 328 U. S. 843, 66 S. Ct. 1022, 90 L. Ed. 1617.

5 C. J. S., Section 1849, p. 1335, and cases therein cited.

Stoody Co. v. Mills Alloys, (1933) (9 C.C.A.) 67 F. 2d 807, at p. 809, cert. denied 304 U. S. 573, 58 S. Ct. 1042, 82 L. Ed. 1537.

Kishan Singh v. Carr, (9th Cir. 1937) 88 F. 2d 672, at p. 678.

**THE HALL 515 PATENT WAS PROPERLY GRANTED
ON AN APPLICATION FILED AS A CONTINUING
APPLICATION OF SERIAL No. 388,891.**

Defendants base their assertion that the Court erred in failing to find the Hall 515 patent invalid (Dfs. Brief, p. 67 *et seq.*) upon the following false statements:

(a) The Hall patent is not valid because not filed within one year of the sale and publication of the scratcher (Dfs. Brief, p. 67).

(b) That Hall at no time prior to filing of Hall application 55,619 (Exh. 69) claimed invention in "sidewise" inclination of the scratcher wires (Dfs. Brief, p. 68).

(c) That neither the application 388,891 (Exh. 1) nor 627,013 (Exh. K) claimed invention in sidewise inclination (Dfs. Brief, p. 68).

(d) That the claims for the sidewise inclination are different from the finally rejected claim in 627,013 (Exh. K) and were not submitted to the Patent Office within one year of the date of the sale and publication by Hall (Dfs. Brief, p. 67).

The Defendants' argument is built on the proposition that Hall failed to assert a claim for the sidewise bristles in application Ser. 388,891, although this was disclosed in that application, and that the claims for the sidewise bristles were first asserted in an application more than one year after they were sold by Hall. These assertions err on both the facts and the law.

They err on the facts because contrary to the assertions of Defendants, Hall claimed the sidewise bristles in the original claims filed with the original specification of the application Ser. 388,891 (Exh. 1) filed on April 16, 1941 (See original claims 4 and 13). The reversible characteristic of the sidewise bristle is emphasized in original claims 7, 8, 11 and 15.

The above application was finally rejected on May 8, 1945. Application 627,013 (Exh. K) was filed Novem-

ber 6, 1945, less than six months after the final rejection. This application discloses the sidewise bristles and is stated to be a continuation in part of application Serial No. 388,891.

The claims as originally filed in Ser. 627,013 referred to the angularly disposed wires as simulating the trajectory of bodies thrown from a rapidly rotating sleeve (See claim 1, Exh. K, p. 11). The reversing function of the wires is described in Ser. 627,013 at the following places: page 3, lines 16 to 28; page 8, lines 17 to page 9, line 10. This application was finally rejected as to claims 6, 7 to 16, and claims 1 to 5 and 7 were allowed and an Appeal was heard. The Decision of the Board is dated May 17, 1948 (Exh. K, p. 76). This decision reversed the final rejection of claims 9 and 10. Thus, at the date of the action by the Board of Appeals the application stood with claims 1 to 5, 7, 9 and 10 allowed. These claims with their amendments are given on pages 11, 12 and 20 of Application Ser. 627,013 (Exh. K). An Appeal to the Court of Customs and Patent Appeals was filed.

The application was abandoned on June 30, 1949 (See Exh. K, p. 86), in favor of the filing of the application 55,619 (Exh. 69), which matured into the Hall 515 patent. The Appeal to the Court of Customs and Patent Appeals was dismissed on October 4, 1949 (Ex. K, p. 87).

The application Ser. 55,619 was filed October 20, 1948, as a continuation-in-part of applications Ser. 388,891 and Ser. 627,013 and within six months after the Decision by the Board of Appeals and before the dismissal of the Appeal to the Court of Customs and Patent Appeals. This application was finally rejected by the Primary Examiner, who contended, as does the Defendant here, that the fact that in application Ser. 627,013 the angularity of the wires with respect to the radius is described by the term "tangential", that application was not entitled to the filing date of Serial No. 388,891. The Board of Appeals rejected the Examiner's contention. It stated (see page 4 of the Decision by the Board dated January 10, 1950, in Exh. 69):

"The application on appeal is stated to be a continuation of application 627,013 which in turn was a continuation-in-part of application 388,891. The dis-

closure of application 627,013 is substantially the same as that of the application on appeal and, like the latter in its condition as it was when it was filed, attributes the action of rotation of the collar to the substantially tangential arrangement of the whiskers.

* * *

"We find no proper basis for the rejection of the claims as drawn to new matter.

* * *

"In mechanical cases, such as that here involved, broad claims may be supported by a single form of the apparatus disclosed in an applicant's application. *In re Vickers et al.*, 564 O. G. 174, 141 F. 2d 522. Since the application discloses a single form of the apparatus in which the whiskers are mounted substantially tangentially on the casing, and whiskers so mounted are non-radial, are at an angular inclination, are mounted on and are on the support, the application supports the broad claims reading on this form. We do not sustain the Primary Examiner in the rejection on this ground."

That the Board of Appeals was correct in its conclusion is amply supported by the applicable law.

Title 35, Section 120, states as follows:

"An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application."

The claims of the Hall 515 patent could have been made in the 627,013 application since the structures disclosed in

that patent are the same as the structures disclosed in 627,013, and the drawings illustrate identical structures.

(a) The Hall 515 Patent Was Filed Prior to Abandonment or Termination of Proceedings in the 627,013 Application.

At the time of filing of the application for the 515 patent, proceedings in application Ser. 627,013 were still pending. The appeal was still pending and the following proceedings were still available to applicant.

If the Appellate Court reversed the Examiner the case would be passed to issue.

If the appeal were dismissed voluntarily or involuntarily, the application would be passed to issue on the claims held allowable by the Board of Appeals.

Before allowance additional claims could have been proposed by applicant by proper request to the Commissioner of Patents (Patent Office Rule 198; 35 U.S.C.A., p. 633, 1951 edition, similar to Rule 140; 35 U.S.C.A., p. 740 of 1940 edition).

After allowance the applicant could have added claims as provided by Patent Office Rule 312 (35 U.S.C.A., p. 665, 1951 edition) similar to old Rule 78 (35 U.S.C.A., p. 726, 1940 edition).

The practice in the U. S. Patent Office in such case is given in the Manual of Patent Examining Procedure issued in the United States Patent Office, Department of Commerce, 1949 Ed., Revision of Nov. 1, 1950:

"5. Dismissal of Appeal. If the appeal is dismissed by the Court, the status of the application will be the same as in paragraph 2 if no claim stands allowed. If claims stand allowed action will be taken by the Examiner as in Paragraph 3.

"2. All claims rejected. If all claims in the case stand rejected, proceedings on the application are considered terminated on the date of receipt of the Court's certificate and the application is not open to subsequent amendment and prosecution by the applicant. The application is no longer considered pending.

"3. *Some claims allowed.* If some claims in the case stand allowed, either by reversal of the Office decision by the Court or by having been allowed by the Examiner or the Board of Appeals, proceedings are considered terminated as to the rejected claims. Action by the applicant cancelling the rejected claims is not considered necessary. The Examiner will pass the case for issue forthwith on the allowed claims, the applicant being advised of such action. The rejected claims may be cancelled by the Examiner with an appropriate notation on the margin, to avoid confusion of the printer. However, if formal matters remain to be attended to, the Examiner should take appropriate action on such matters, setting a shortened period for reply, but the application is considered closed to further prosecution except as to such matters. If all claims in the case stand allowed after the Court's decision formal matters if any should be taken care of and the case passed for issue."

Thus, the application that issued as the Hall 515 (page 182) patent was filed before the 627,013 application was abandoned and during the period where further proceeding in the prosecution of the 627,013 application was required. The appeal to the Court of Customs and Patent Appeals was pending at the time of filing of the application for the 515 patent. Whether or not applicant was successful in such appeal, further proceedings were necessary in the application 627,013. The 515 patent application (Exh. 69) was filed during this period so was entitled to the filing date of the 627,013 application.

(b) Similarly, the 627,013 Application Was Entitled to the Filing Date of the 388,891 Application.

When application Ser. 388,891 was finally rejected, it was a pending case and the prosecution was not terminated. Applicant had six months to appeal and the appeal constitutes a continuation of the prosecution (See Rules of Practice of the U. S. Patent Office, Rule 133, p. 739, 35 U.S.C.A., p. 739, 1940 edition, present rule 191, See 35 U.S.C.A. 1, 191, p. 629, edition of 1951, 35 U.S.C., Sec. 37, 1946 edition, 35 U.S.C. 133, Patent Act of 1952.

That these applications are all entitled to the filing date of the original application 388,891 is supported by *General Pictures Corp. v. Western Electric Co.*, 304 U.S. 175, at p. 182.

Veaux v. Southern Oregon Sales, Inc., 45 U.S.P.Q. 610; 33 F. Supp. 605, Affd. 123 F. 2d 455, cited by defendants (Dfs. Brief, p. 68) is not to the contrary.

(c) The Cases Cited by the Defendants in Support of Their Contention Do Not in Any Way Impeach the Regularity of the Proceedings in the Patent Office—a Regularity Which Is to Be Presumed from the Grant of the Patent. See 35 U.S.C., Sec. 282.

In *Muncie Gear Co. v. Outboard Motor Co.*, 315 U.S. 759, 53 U.S.P.Q. 1, 5, the patentee filed an application on August 25, 1926. Later after rejection of claims he filed an amendment on December 8, 1928. This, like the original application, did not suggest the patented invention. The invention was first disclosed on March 30, 1929, in an amendment supported by a supplementary oath, which invention was embodied in the claims subsequently issued in the patent. The evidence showed that a public use, which occurred more than two years prior to December 8, 1928, was that of a licensee under the patent and the only competitive use was less than two years prior to December 8, 1928, but more than two years before March 30, 1929, when the amendment disclosing the patented invention was introduced into the application. The Court said:

“It is clear to us, however, that the amendments of December 8, 1928, like the original application, wholly failed to disclose the invention now asserted.

“The claims in question are invalid if there was public use, or sale, of the device which they are claimed to cover, more than two years before the first disclosure thereof to the Patent Office.

* * *

“We think the conclusion is inescapable that there was public use, or sale, of devices embodying the asserted invention, more than two years before it was

first presented to the Patent Office.”

(53 U.S.P.Q. 5, col. 2, lines 4-13 and 25-29.)

The distinction from the case at bar is obvious for here the subject matter was continuously disclosed and claimed in generic and specific form since the filing of the first application, Ser. 388,891.

We have shown the regularity of the proceedings in the U. S. Patent Office in the procurement of the Hall patent 515 here in suit. The charge of fraud was fully aired in the Patent Office (Exh. 285, R. 3635-7). After a full hearing the Commissioner of Patents rendered a decision (R. 3578) which found that the defendants' charges of fraud were without substance. The evidence in this case is the same as was before the Commissioner of Patents. This fact reinforces the presumption of validity attaching to the issue of the patent. It is submitted that not only have the Defendants failed to discharge the heavy burden on them to prove invalidity and fraud but that instead the evidence establishes the regularity of, and absence of fraud in the obtaining of the Hall patent.

**DEFENDANTS' CLAIM OF EQUIVALENCY OF THE
WRIGHT WALL CLEANING GUIDE AND THE
HALL SCRATCHER IS REFUTED BY
THE EVIDENCE.**

Defendants throughout this litigation have continually made futile attempts to show that the Wright radial bristle scratcher (Exh. 104) of the apparatus patent 317, operates the same as and is the equivalent of the sidewise bristle scratcher of Hall (Exh. 40, physical) covered by the Hall 515 patent. Doble, their expert witness, set up an elaborate apparatus and made a series of *ex parte* tests designed to support defendants' theory and obtain results from which he could draw conclusions and give testimony, although the tests ignored actual well conditions and particularly the relative diameters of the well bore and scratchers used therein.

An attempt has also been made by defendants to prove that the structure covered by the Wright 317 patent simulates the angularly disposed abrading wires or bristles which is the invention of the Hall 515 patent. This is done in a number of different ways; by reference to a scratch pattern produced upon a falsely conceived test apparatus, defendants' brief, pages 32-33; by attempting to differentiate the prior art patents to Shaw and Black and Stroebel by appropriating and adopting the Hall method as the purpose for which the Wright scratcher was designed, when actually the Wright scratcher was developed for the Wright method of the 372 patent (Dfs. Brief 34-35). The testimony of Gulf Oil engineers establishes that the test apparatus, relied upon by defendants to show the operation of the Wright scratchers made according to the 317 patent, was not only improperly conceived technically and did not reproduce or simulate well conditions (R. pp. 1053-1055 and 1108-1110). The Trial Court's rulings with respect to validity and infringement of the 317 patent took cognizance of the conflict between the testimony of defendants' expert Doble and that of the Gulf Oil engineers. Defendants likewise seek to make the structure of the Wright scratcher equivalent to that of Hall in order to take advantage of the patentable features of Hall which distinguished the Hall scratcher from these same prior art patents. These differences were pointed out by Hall to the Patent Office during the prosecution of his patent (Dfs. Brief, p. 36).

Again in their brief, page 43, they revert to this matter stating:

"The single difference between the Weatherford Scratcher and the Scratcher of the Wright Patent Exhibit 38 lies in the substitution in the Weatherford Scratchers of the coil spring for the torque type spring used by Wright together with a modification as to the degree of sidewise inclination of the scratcher fingers."

The facts are that Wright never had anything but a radial bristle scratcher shown in his 317 until he began pirating Hall's invention. Defendant B & W who had the

device manufactured and sold it to the trade began offering the scratcher in 1940 (R. 1211). Sales are in the Record to Thos. Kelly & Sons (Ex. HHHH) and Union Oil Company (Ex. TTTT).

Prior to these sales, in the late fall of 1939, the Union Oil Company announced and set up a research project near their refinery on Dominguez Hill contemplating an investigation to determine the effectiveness of methods and apparatus pertaining to cementing techniques and factors influencing the bond between set cement and the earth formation of an oil well. The report made by Jones and Berdine, the Union Oil employees in charge of this work, is in evidence as Exhibit X. Many individuals and companies provided their tools for test and among them Defendant B & W (Exh. X, R. 3670). The simulated oil well in the Jones and Berdine tests was a canvas bag and it was impossible to use the Wright radial bristle scratchers in this bag because the wires tore the canvas and the well fluids, both the mud and cement could not be contained therein. To rectify this difficulty and render the scratchers usable in the tests, the sharp ends of the abrading wires of the guides were either doubled back as shown in Figs. 14 and 18 (R. pp. 3715 and 3719) or bent midway of the bristles and small smooth balls or knobs puddled at the ends of the bristles, as shown in Fig. 26, R. 3727. This is the only occasion when the Wright radial bristle scratchers were ever altered insofar as there are credible proofs in this case and at these tests the changes were made to make possible the use of the device. Nor does it appear that Wright or B & W ever considered that the alterations made for the Jones and Berdine tests had any purpose or advantage over the radial bristles in commercial use because thereafter B & W continued to offer the device as originally conceived and made according to the 317 patent and continue to sell a few up to the present time.

The trade generally rejected the B & W radial bristle scratcher because it would not reverse in the narrow annulus between the well bore and casing where it was obliged to do its work. It was found that upon reciprocation of the casing to scrape the mud from the earth formation, the wires of a radial bristle scratcher were either

rolled up, torn from the collar and rendered ineffective, or they penetrated into the formation and stuck the pipe. Gulf Oil Company, the largest customer of Hall's scratchers and defendants' best potential customer refused to purchase and use the radial bristle B & W scratcher, so some competitive device had to be made to get a part of this business (R. 1048-1050).

In July, 1947, they duplicated the Hall scratcher and sent samples to Gulf Oil indicating they were going into production and would have the scratchers soon on the market (R. 2252-2254, physical, Exh. 88, photo 88a, at R. 3521. See also transmittal letter Exh. 64). Gulf Oil refused to purchase the scratchers and B & W counsel advised B & W against selling them (Exh. 64B) evidently because of Hall's exclusive rights under the Hall-Wright agreement (Exh. 34). Up to the end of 1947, B & W offered only the radial bristle scratcher made according to the Wright apparatus patent 317.

On June 17, 1949, Wright and Barkis had a meeting with members of the Gulf Oil Research and Development Company and Mr. Vollmer's testimony concerning the meeting reveals not only the nature of the device then being offered by B & W but also defendants' views as to some of the defenses subsequently asserted by defendants after they began to realize Hall would obtain a patent on his non-radial type scratcher.

(Deposition of Leslie W. Vollmer, R. 1035:)

"Q. Did Mr. Wright or Mr. Barkis at that meeting indicate that the use of wires extending non-radially from the collar originated by Mr. Wright, was Mr. Wright's invention?

* * *

"A. I don't recall any specific discussion at that time on that particular point.

"Q. Do you recall that either Mr. Wright or Mr. Barkis stated that the use of nonradial wires was Mr. Wright's invention and not Mr. Hall's?

* * *

"Q. Do you recall at that meeting in June of 1947, that either Mr. Wright or Mr. Barkis stated that they had used nonradial type scratchers—that is, scratchers with nonradial wires—in California, in a well, as early as 1940?

* * *

"A. No, I don't.

"Q. Did either Mr. Wright or Mr. Barkis during this meeting in June of 1947, mention the use of non-radial wire scratchers in a well of Thomas Kelley & Sons, which was McMillan Community No. 1 in the Athens-Rosecranz field? Do you recall their stating that they had used scratchers with nonradial wires back in 1939 on such a well in California?

* * *

"A. No, I do not.

"Q. Now, did either Mr. Wright or Mr. Barkis, during this meeting in June of 1947, tell you that Mr. Wright had furnished scratchers to be tested by the Union Oil Company on Dominguez Hill in tests that were known as the Jones and Berdine, and that in these tests there were used scratchers with nonradial wires?

* * *

"A. I recall a discussion of the Jones and Berdine tests, but I do not recall any discussion on the use of scratchers with nonradial wires."

It was not until the end of 1947 that Defendants decided upon the strategy of trying to appropriate Hall's sidewise bristle invention for it was on October 3, 1947, Wright filed his first application for a scratcher with non-radial bristles (Exh. 70). This application was later involved in Interference 84,411 with the Hall application which issued as Hall patent 515 (Exh. 286, R. p. 3634). The Interference it will be recalled was decided adversely to Wright. It was also at the end of 1947 that Defendants brought out their first nonradial or sidewise bristle scratcher called Multiflex (Physical, Exh. 57, photos R. pp. 3588, 3589).

Confirming Plaintiffs' assertions that the Wright radial bristle scratcher made according to the 317 patent was relatively unsalable to the industry and that the sidewise bristle devices, Multiflex and NuCoil rapidly displaced it in the B & W sales (see chart of B & W total scratcher sales January, 1946, through December, 1953, Exh. 280A, R. p. 3611).

That defendants and their attorneys as late as January, 1950, realized the difference between the radial and non-radial structures, that there was no such equivalency as is now contended and that Hall was entitled to generic patent coverage on the non-radial scratcher, see the "Caughey Letter" dated January 27, 1950 (Exh. 119, R. p. 3523).

As an interesting sidelight bearing upon this situation is defendants' categorical statement (Dfs. Brief p. 19) that,

"* * * both Hall and Attorney Scofield knew in June, 1945, that the B & W Wall Cleaning Guide was and always had been a reversible scratcher that it is rotated upon the casing during the scratching operation."

This assertion is predicated upon a letter John Hall wrote to his father Jesse E. Hall, Sr., dated June 2, 1945 (Exhs. 194, 195 and 196).

The letter describes the distinction between the action of a scratcher with sidewise bristles and a wall cleaning guide with radial bristles.

It likewise explains that the Hall sidewise bristle scratcher reverses easily without sticking in the formation and crawls around the surface of the well bore as the scratchers propel themselves around the casing if the scratcher wires are reversed a sufficient number of times. The letter compares this action with the radial bristles which stick in the formation and require great force to move the casing and when moved by reciprocation the wires are bent, disfigured and rendered ineffective as a cleaning device. The writer of the letter states that he has seen such scratchers when they were withdrawn from

the well. He summarizes the requirement for a reversible scratcher on page 3 of the letter.

The only conditions or circumstances under which he states it is possible to reverse a radial bristle scratcher are those not acceptable to the operators in the field and those adopted by the expert Doble in his *ex parte* tests employing wall cleaning guides with an outside diameter of the radial wires substantially the same size as the well bore or only enough larger to trace an indistinct pattern upon the lamp blacked inside surface of metal cylinder which would not do a cleaning job in a well bore.

Confirming what has been said with respect to the relative merits of radial and non-radial bristle scratchers is the testimony of Leslie W. Vollmer, an unbiased expert, employed by Gulf Research and Development Company who explained why Gulf Oil Company rejected the radial type scratcher in favor of the non-radial type.

(Deposition of Leslie W. Vollmer, R. 1048.)

"Q. Do you know why it was that the wall cleaning guide was not acceptable to the Gulf Oil Company or to the Gulf Research & Development?

* * *

"A. After examining the devices available for scratching oil wells, it was the opinion of our engineers collectively that the scratcher offered by the Weatherford Company would accomplish the objectives that we desired better than would the wall cleaning guide offered by B & W, because the wires extended to a greater diameter than the wires of the standard or regular B & W wall cleaning guide, and because we were of the opinion that the wires of the Weatherford scratcher would suffer least damage in usage so their effectiveness would persist for a longer period of time and thereby more nearly assure a satisfactory result.

"Q. Did this acceptance have anything to do with the manner in which the wires extended from the collar, that is, whether they extended radially or nonradially?

* * *

"A. Yes, it did.

"Q. Can you explain why?

* * *

"A. The principal objection to the B & W wall cleaning guide was the restricted path of wire movement, which appeared to be predominantly in a direction parallel to the axis of the pipe on which the device was mounted. Any flexing of the wires in, shall we say, a circumferential direction—yes, in a circumferential direction—resulted in a permanent deformation of the bristle so that it did not extend to the diameter of the original scratcher—that is, of the scratcher before deformation. In the case of the B & W scratcher, the wires appeared to—or had a more universal action and could be flexed in almost any direction without equally serious deformation, or deformation as serious as the B & W guide.

(The last answer was read.)

"The Witness: May I change that? I made a misstatement.

"Q. (By Mr. Scofield) Indicate where the change should be, please.

"A. I am trying to figure—(To the reporter) Will you change 'In the case of the B & W scratcher' to 'In the case of the Weatherford scratcher.' In the case of the Weatherford scratcher, the wire had a more universal action and could be moved in almost any direction without serious deformation resulting."

* * *

CONCLUSION.

It is submitted from the foregoing that:

1. The Wright 372, 317 and 352 patents and as to each and all claims thereof are invalid as lacking invention over the prior art, and that the 352 patent is barred by public use.

2. That the Wright 372, 317 and 352 patents are not infringed.
3. That the Wright 372, 317 and 352 patents have been misused.
4. That the Hall 515 patent is valid and infringed.
5. That the appeal of defendants should be dismissed and the judgment of Trial Court dismissing the counterclaim for infringement and unfair competition be sustained.
6. That the judgment of the Trial Court dismissing the plaintiffs' complaint be reversed.
7. That the injunctions issued *pendente lite* be vacated.

Respectfully submitted,

THOMAS E. SCOFIELD,

PHILIP SUBKOW,

*Counsel to Plaintiff and Plaintiff-
Intervenors-Appellants.*

Date: March 1, 1956.

IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Interveners-Appellants,

vs.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

PETITION FOR REHEARING
ANENT
VALIDITY OF HALL 515 PATENT
AND
MEMORANDUM IN SUPPORT THEREOF.

THOMAS E. SCOFIELD,
PHILIP SUBKOW,

*Counsel for Plaintiff and Plaintiff-
Interveners-Appellants.*

INDEX

Petition for Rehearing Anent Validity of Hall 515 Patent	1
Grounds for the Petition	1
Errors in the Opinion of the Appellate Court	3
A. The facts in respect of which the Court of Appeals erred	3
B. The Errors of Law	4
C. The record in this case establishes there is no evidence in the proofs of the Jones and Berdine test of prior knowledge or use of the patented invention within the meaning of the statute	5
Certificate of Good Faith	6
Memorandum in Support of Petition for Rehearing	7
Statement of Facts	7
The Purpose and Significance of the Mounting of the B & W, Inc., Devices at the Jones & Berdine Tests	11
The B & W, Inc., Devices Used at the Jones & Berdine Test Do Not Constitute Prior Knowledge or Use and Are Not Prior Art Since There Was No Reduction to Practice	13
Brief of the Law	15
The Jones Deposition Was Not Before the Trial Court As Testimony, and Is Not Before This Court, Although It Is in the Record	15
The Appellate Court Is Not Bound under Rule 52(a) by the Trial Court's Finding of Lack of Invention of Hall 515 Patent	20
The Evidence Does Not Prove Prior Knowledge or Use of the Invention Covered by the Claims of the Hall 515 Patent	25

TABLE OF CASES

<i>Arnstein v. Porter</i> , (C. C. A. 2d, 1946) 154 F. 2d 464	17
<i>Batelli v. Kagan and Gaines Co., Inc.</i> , (9th C. C. A., 1956) 236 F. 2d 167	15
<i>Bonebrake v. McCormick</i> , 35 Cal. 2d 16	18
<i>Brooks v. Brooks Clothing Co.</i> , 5 F. R. D. 14, p. 16	23, 24
<i>Cleveland Trust Co. et al. v. Schreiber-Schroth</i> , 101 F. 2d 109, reversed on another point, 311 U. S. 211	26
<i>Crowell v. Baker Oil Tools</i> , (9th C. C. A., 1946) 153 F. 2d 972	19
<i>Dearborn Nat. Casualty Co. v. Consumers Petroleum Co.</i> , (7th C. C. A., 1947) 164 F. 2d 332	22
<i>Dewey & Almy Chem. Co. v. Mimex Co.</i> , (C. C. A. 2d, 1942) 124 F. 2d 986	26
<i>Eibel Process Co. v. Minnesota & Ontario Paper Co.</i> , 261 U. S. 45	26
<i>Hycon Mfg. Co. v. H. Koch & Sons</i> , 219 F. 2d 353 (9 C. C. A., 1955)	24
<i>Jancuzzi Bros. v. Berkeley Pump Co.</i> , (9th C. C. A., 1951) 191 F. 2d 632	24
<i>Kauk v. Anderson</i> , 8 Cir., 137 F. 2d 331	20
<i>Kishan Singh v. Carver</i> , (9th C. C. A., 1937) 88 F. 2d 672	16
<i>Konet v. Haskins</i> , (C. C. P. A., 1950) 179 F. 2d 1003	26
<i>Loom v. Higgins</i> , 105 U. S. 580	26
<i>Lyon v. Bausch & Lomb Optical Co.</i> , (2nd C. C. A., 1955) 224 F. 2d 530	27
<i>Metal Cutting Tool Service v. National Tool Co.</i> , (C. C. A. 6th, 1939) 103 F. 2d 581	26
<i>Minnesota Mining & Mfg. Co. v. Van Cleef</i> , (7th C. C. A., 1943) 139 F. 2d 550	26
<i>Morgan Const. Co. v. Wellman-Leaver-Morgan</i> , (9th C. C. A., 1921) 18 F. 2d 395	26

INDEX

III

<i>People v. Westcott</i> , 86 Cal. App. 298	18
<i>Schneidermann v. U. S.</i> , 320 U. S. 118	23
<i>Sinko Tool & Mfg. Co. v. Automatic Devices Corp.</i> , (2nd C. C. A., 1946) 157 F. 2d 974	26
<i>Smith v. Bonsquit</i> , (C. C. P. A., 1940) 111 F. 2d 157	26'
<i>Smith v. Snow</i> , 294 U. S. 1	26
<i>Standard Oil Dev. Co. v. Marzall</i> , (C. A. D. C., 1950) 181 F. 2d 280	21
<i>Stearns v. Tinker & Rasor</i> , (9th C. C. A., 1955) 220 F. 2d 49	25
<i>Stuart Oxygen Co. v. Josephian</i> , (9th C. C. A., 1947) 162 F. 2d 857	21
<i>Symington Co. v. National Castings Co.</i> , 250 U. S. 383....	27
<i>Thompson v. Carley</i> , (8th C. C. A., 1944) 140 F. 2d 656	19
<i>United States v. Williams</i> , (C. C. A. 2d, 1945) 146 F. 2d 651	19
<i>H. Wenzel Tent & Duck Co. v. White Stag Mfg. Co.</i> , (9th C. C. A., 1952) 199 F. 2d 740	25
<i>Wire Tie Mach. Co. v. Pacific Box Corp.</i> , (9th C. C. A., 1930) 102 F. 2d 543	21
<i>Worsham v. Duke</i> , (6 C. C. A., 1955) 220 F. 2d 506	15

OTHER AUTHORITIES

Rule 26(d), Federal Rules of Civil Procedure	15
Rule 52, Federal Rules of Civil Procedure, Title 28, U. S. C. A.	24
Wigmore on Evidence, 3rd Ed., Vol. 5, Sec. 1414, page 189	16

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Interveners-Appellants,

VS.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

PETITION FOR REHEARING
ANENT
VALIDITY OF HALL 515 PATENT
AND
MEMORANDUM IN SUPPORT THEREOF.

In this petition and in the accompanying memorandum we will use the words "Hall" and "Wright" as they are used in the Opinion of this Court.

GROUND'S FOR THE PETITION.

The Court in its opinion sustained "the finding of fact that Hall 515 patent lacked invention" as supported by "the testimony and documentary evidence" which "although disputed, is substantial."

The evidence which the Court found to be so substantial as to be sufficient to sustain the finding is stated to be the tests made by Jones and Berdine of the Union Oil Company at Dominguez Hills, near Long Beach, California. The opinion states:

“* * * There is evidence indicating that the B & W, Inc., device used by Jones and Berdine was very similar, structurally and functionally, to the device described in Hall patent No. 515.

“It is apparent that, in sanctioning issuance of Hall patent No. 515, the Board of Patent Appeals was of the view that it had not been established that the Jones and Berdine device was rotatably mounted. An engineer who conducted the test, however, testified at the trial in this action that the device there used was rotatably mounted. The trial court apparently accepted this testimony as true. We have no basis for holding otherwise. The evidence as to the similarity of the two devices, and of the way they were mounted and used, is sufficient to sustain the finding of fact that Hall patent No. 515 lacked invention.” (Decision, page 5).

This statement appears to Hall to involve the following:

1. That the evidence that this Court found to be substantial so as to require the sustaining of the finding of lack of invention is that relating to the test made at Dominguez Hills.
2. That there is evidence indicating that the B & W, Inc., device used in the test by Jones and Berdine was very similar, structurally and functionally, to the device described in the Hall patent No. 515.

3. That the evidence concerned was the testimony at the trial of an engineer who conducted the test, that the B & W, Inc., device there used was rotatably mounted.
4. That the trial court and the appellate court accepted this engineer's testimony as true.

ERRORS IN THE OPINION OF THE APPELLATE COURT.

We believe, and respectfully urge, that the above conclusions err in material respects as to the facts and result from an incorrect application of the law.

A. The facts in respect of which the Court of Appeals erred are as follows:

1. The engineer who conducted the test is a Mr. Philip Jones. *He did not testify at the trial.* His testimony appears in a deposition given in a Public Use Proceeding in the Patent Office provoked by Wright in an effort to prevent the granting of the Hall No. 515 patent. This deposition (Record pp. 1278-1507) was introduced as an Exhibit BZ-6 at the trial in this action (Record p. 1154).
2. The oral stipulation by which the Jones deposition was received in evidence is not included in the Appeal Record. It appears only in the Transcript of Proceedings of the Trial Court of November 3, 1953 (Vol. 5, pp. 723-728). This oral stipulation was as follows:

"The Court: I assume it would be offered in the same way as a deposition or depositions of witnesses, and its admissibility would be determined in the same manner, is that correct?"

"Mr. Scofield: That is the stipulation.

"Mr. L. E. Lyon: That is satisfactory to me."

3. There is nothing in the Trial Court Transcript or Appellate Court Record to show that this deposition was received in lieu of the personal appearance of the witness Jones.

(a) The deposition gives the residence of the witness Jones as 4457 Via Pinzon, Palos Verdes Estates, California, which, as this Court may judicially notice, is less than 100 miles from the Court House in Los Angeles.

(b) There is nothing in the Record to show that any evidence was presented to the Trial Court to show that the witness was unavailable at the trial or that any of the other conditions existed as is required by F. R. C. P. Rule 26, to permit the use of the deposition at the trial for any purposes other than impeachment.

4. The evidence in this Record relating to the B & W, Inc., device used during the Jones and Berdine experiments, and upon which the Appellate Court sustained the finding of lack of invention, was before the Patent Office and the Hall 515 patent was granted and issued over such evidence.

B. The Errors of Law are as follows:

1. The Court treated the Jones deposition as testimony in this case and based its affirmance of the judgment of invalidity on the ground that this testimony was substantial evidence in support of the finding of "lack of invention."

2. It must be presumed, since the Jones deposition was incompetent as testimony at the trial, that it was not

considered by the Trial Court in making its finding of lack of invention, and the Appellate Court erred both in concluding that the Trial Court relied upon this deposition as testimony, and in itself relying upon the Jones deposition as testimony.

3. The finding of ultimate fact of lack of invention by the Trial Court is so general and without findings of the primary facts to support it, that there is no compliance with the requirements of Rule 52(a), and thus this Appellate Court is not bound by the provisions of Rule 52(a).
4. This Court has supplied the omission made by the Trial Court by findings of primary fact, to wit: that the B & W, Inc., device used at the Jones and Berdine tests was similar in structure and function to the patented device. It based these findings on the testimony of Jones given in the Jones deposition. Assuming that this deposition is before this Court as competent testimony, we respectfully submit that in making these findings of primary facts, this Court did not apply the standard of proof required for such evidence, *i. e.*, that it be beyond a reasonable doubt.

C. On behalf of the party Hall, we submit that the record in this case establishes the following:

1. There is no evidence in the proofs of the Jones and Berdine test of prior knowledge or use of the patented invention within the meaning of the statute, 35 U. S. Code, Sec. 102.
 - (a) The patented invention was not reduced to practice in the Jones and Berdine test.

- (b) The Fig. 26 B & W, Inc., device relied upon and used by Jones and Berdine at the test was an accidental use unappreciated and unrecognized.
- (3) None of the B & W, Inc., devices used in the Jones and Berdine test were similar in structure and function to the device of the Hall 515 patent.
- (d) The B & W, Inc., devices used in the Jones and Berdine test had never been employed prior thereto nor were they ever used or commercially sold after the test.

We urge that this Court rehear this case to reconsider the record and the applicable law so that justice be done in the premises. We include a memorandum of the applicable law and a discussion of the facts in support of this petition, and respectfully request consideration thereof.

Respectfully submitted,

THOMAS E. SCOFIELD,

PHILIP SUBKOW,

Counsel for Plaintiff and Plaintiff-Intervenors-Appellants.

CERTIFICATE OF GOOD FAITH.

In the judgment of Counsel, the above petition for rehearing is well founded and not interposed for delay.

THOMAS E. SCOFIELD,

PHILIP SUBKOW,

Counsel for Plaintiff and Plaintiff-Intervenors-Appellants.

MEMORANDUM IN SUPPORT OF PETITION FOR REHEARING.

STATEMENT OF FACTS.

The Jones and Berdine test was experimental, and the B & W, Inc., devices used therein were never reduced to practice and constituted only an accidental use, unappreciated, unrecognized and abandoned.

Even proceeding upon the supposition made by this Court that the Jones deposition was testimony given and legitimately received at the trial as proper, the evidence is still insufficient to support the Trial Court's finding of lack of invention in the Hall No. 515 patent.

Besides the deposition of Jones there is a contemporaneous report (Exhibit X, Record 3670-3729) made by Jones to the Union Oil Company which contains the findings made by Jones and Berdine after the test.

Many different apparatuses and procedures were tested and the results were set forth in the report. The forms of the B & W, Inc., devices were changed at the site of the tests (Figs. 14, 18 and 26 of Exhibit X, Record pp. 3715, 3719 and 3727) because the radial wire B & W wall cleaning guides then being made and sold by B & W, Inc., could not be operated in the canvas bag used in the tests as they tore the canvas (Record 1310, 1470). To rectify this difficulty and render the guides usable in the test (Record 1472, 1473, 1836-1837), the sharp ends of the abrading wires

were either doubled back or bent midway of the bristles and small smooth balls or knobs puddled at their ends, best shown in Fig. 26, R. 3727. It does not appear that Wright ever considered that the alterations made for the Jones and Berdine test had any purpose or advantage other than to adapt them to use in the canvas bag employed in the test. B & W, Inc., continued to offer the device as originally conceived and made according to the Wright No. 317 patent (See Exhibit 104, and Exhibit HH, Record p. 3735).

The first two claims of the Hall 515 patent are combination claims covering the scratcher in combination with the well casing, and require that the collar or support which carries the wire whiskers be rotatably mounted on the exterior of the casing. It is also a requirement of these claims that the stiff wire whiskers be flexibly attached to the collar and project *from points on the periphery of the collar* at an angular inclination, or what has been broadly termed in the case as non-radial projection from the collar. Claim 2 includes terminology descriptive of the scratchers' operation in the well bore upon reciprocation of the casing. Claim 3 is drawn solely to the scratcher and defines its construction in much the same fashion as in the two preceding combination claims. Again the wire whiskers must extend outwardly from the collar, their sidewise or non-radial direction originating at the projection points on the periphery of the collar as distinguished from the Fig. 26 B & W, Inc., device having only the ends bent non-radially.

This Court has aptly concluded from the evidence that it is "agreed that rotatable mounting and angular disposi-

tion of the scratcher wires are essential to the successful use of such devices." (Decision p. 6).

To anticipate the Hall invention, Wright must have had the concept of mounting a support or collar rotatively upon a casing, attaching stiff abrading wires flexibly to the periphery of the collar and projecting the free ends of the wires non-radially from the projection points on the collar.

To ascribe this concept to Wright, we must not only give him the benefit of mounting the wall cleaning guide or B & W device used by Jones and Berdine rotatively on the casing, but we must also conclude that the Fig. 26 wires were flexibly attached to the collar and that the wires extended non-radially from the projection points on the periphery of the collar. Hall's wires had a coil spring wound into each of the wires at their projection points, a feature entirely lacking from the Fig. 26 device and the wires in the B & W device did not extend non-radially from the projection points but projected radially from the collar and were bent at an angle near their ends. To establish that the Fig. 26 device was not the equivalent of the Hall invention, and that Wright lacked the concept required for prior knowledge, ample proof is to be found in the record.

The evidence is clear that there was no recognition that the bending of the wires of the Fig. 26 device or any of the other B & W, Inc., devices (Figs. 14 and 18) imparted any function or utility other than to prevent tearing of the canvas bag. There is no evidence that the bending of the wires produced any other advantage or utility. There is no evidence of any recognition that this change

had any value in a scratcher to be used in an oil well. The commercial device sold by B & W, Inc., during this period and thereafter until the latter part of 1947, was the scratcher shown in Wright 317 patent (physical Exhibit 104). It was not until the Hall invention was commercialized and had developed a public demand that competition forced B & W, Inc., to adopt the principles of the Hall invention. We have discussed this history in our Reply Brief, pages 42, etc.

Further evidence that Wright never recognized the concepts underlying the Hall invention appears from the following.

Wright filed three applications for Letters Patent substantially contemporaneously with the Jones and Berdine test which was conducted in the fall of 1939 and early 1940. These three patents are here in suit and none mention or have any disclosure which would lead one to believe that Wright had the concept of the Hall invention when they were filed. The Wright No. 372 patent was filed August 19, 1939, the Wright 317 patent December 10, 1940, and the Wright 352 patent August 6, 1941. All disclose radially projecting bristles or wires and relatively rigid attachment of the bristles to the collar supports and none mentions the rotative mounting of the collar.

Even as late as November 8, 1947, when Wright filed a Canadian application (Exhibit Q) corresponding to his 317 patent, he did not disclose anything but radial bristles, showing that at that date he did not have the concept nor laid any claim to the Hall invention.

Confirming the conclusion that the B & W, Inc., devices used in the Jones and Berdine test did not correspond to the invention claimed in the Hall 515 patent is the fact that Wright did not claim in his preliminary statement filed in Interference No. 84,411 (Exhibits 71A, 71B, 71C and 71D) that he had made and reduced to practice the Hall invention at the Jones and Berdine test. In this interference, the application which matured as the Hall 515 patent was involved with an application of Wright Serial No. 777, 640 (Exhibit 70) and the counts in controversy were the three claims subsequently issued in the Hall 515 patent.

To irrefutably establish the fact Wright had no prior knowledge, and that the Hall invention was not his there is his counsel's letter (Exhibit 119, Record 3523) dated January 27, 1950, written on behalf of Wright and B & W, Inc., quoted in our main brief, pages 22-23. In this letter it was not only admitted that the invention was Hall's, but that regardless of the dispute being prosecuted in this case, that Hall should obtain and was entitled to broad claims covering the invention. The admissions contained in the letter have never been denied or refuted.

**The Purpose and Significance of the Mounting of the
B & W, Inc., Devices at the Jones & Berdine Tests.**

Although the Fig. 26 B & W device was mounted upon the test pipe between stop rings spaced about one foot apart, there is no testimony by any witness, including Jones, that the devices actually rotated on the pipe or casing as it was reciprocated during the test, since the color and consistency of the mud fluid used prevented any

visual observance of such rotation by looking down into the canvas bag.

The Exhibit X report made by Jones and Berdine does not contain any reference to the rotatable mounting of the scratchers. Likewise, the publication of the report in the Petroleum World Magazine of June, 1940 (which was the article the Board of Appeals in the Patent Office considered) omits any reference to the rotatability of the B & W, Inc., devices during the test. A letter of transmittal to the Union Oil Company, dated March 15, 1940, accompanied the report and is a part of Exhibit X in this Record (pp. 3670-3681). The letter contains a footnote on page 3676 of the Record:—

“Scratchers are free to rotate on the casing, and vertical movement with respect to the casing is limited to about 1 foot by confining rings welded on the casing. *Thus in running casing the scratchers remain stationary when the casing is lifted to release it from the spider.*” (emphasis added).

This rotatable or loose mounting of the scratchers on the casing between the stop rings was solely for the purpose of permitting the scratchers to slide longitudinally of the pipe between the stop rings when running pipe or casing into the hole. In other words when lifting the casing already run to release it from the spider or slips at the rotary table, the weight produced by frictional drag of the scratchers against the well wall, was avoided since the scratchers remained stationary while the casing was elevated or lowered within the limits of the stop rings, when adding to or removing sections of pipe from the

string (Record 1442-1443). Another reason the stop rings were used at the test was because it facilitated the mounting and removal of the devices on the pipe used as casing.

The purpose of the rotative mounting in the Hall invention is stated in claim 2 of the Hall 515 patent. To obtain this operation and function, the non-radial wires, flexibly connected to the collar and the rotative mounting are essential elements. The angularly disposed wires and rotative mounting have been recognized as necessary to the successful operation of the device of Hall invention by this Court (Decision, page 6).

**The B & W, Inc., Devices Used at the Jones & Berdine
Test Do Not Constitute Prior Knowledge or Use and
Are Not Prior Art Since There Was No
Reduction to Practice.**

The Primary Examiner in the Public Use Proceeding in the Patent Office ruled upon the use of the B & W, Inc., devices at the Jones and Berdine test and had before him the same evidence as was in this case. It is believed that his conclusions are sound (Exhibit 216, Record 3566-3567):

“It does not appear from the evidence in the instant case that the test procedures used by Jones and Berdine were standard ones employed by the industry and that drillers relied upon such tests conducted by laboratory apparatus outside of the well in order to determine the utility and functioning of a well scratcher. The test structure apparently was original and used for the first time at these tests. * * * However there is no evidence that practical men in the oil well art would take the risk without more, and directly from the tests, use the scratchers. * * *

In other words, the Jones and Berdine tests are distinguishable from those in the decision and the tests do not constitute a reduction to practice or public use. They were merely experimental in character, and it is accordingly so held."

Record Volume VIII, pp. 3566-3567.

As indicated in the Patent Office decision, the evidence shows that the Jones and Berdine test was not conducted under conditions existing in an oil well, but in a canvas bag above ground assumed to simulate an oil well. It was not a test that was standard or accepted by the oil industry for the purpose intended. It was devised by the Research Department of the Union Oil Company for the particular occasion, was experimental and was not represented to be an actual use of the B & W, Inc., devices in their intended environment.

All that this test could do and all it did do was to cause Jones to surmise and speculate that these devices would be useful in an oil well for the removal of mud prior to cementing operations and when they were tried by the Union Oil Company upon his recommendation they were not the B & W, Inc., devices used in his test.

BRIEF OF THE LAW.

THE JONES DEPOSITION WAS NOT BEFORE THE TRIAL COURT AS TESTIMONY, AND IS NOT BEFORE THIS COURT, ALTHOUGH IT IS IN THE RECORD.

1. The mere presence of a deposition in the record does not make it available as testimony on an appeal unless it was before the trial court as testimony and used in accordance with the provisions of Rule 26(d) of the Federal Rules of Civil Procedure.

Worsham v. Duke, (6 C. C. A. 1955) 220 F. 2d 506, at 509.

2. In some circumstances a deposition taken in another action may be used in a subsequent action when the parties and the issues are the same under the general provisions of Rule 26(d)(3).

Batelli v. Kagan and Gaines Co., Inc., (9th C. C. A. 1956) 236 F. 2d 167, at 169.

3. But Rule 26(d)(3) has two limitations which are pertinent here. If the Jones deposition is used in the case for the above reason, it may be used in this action only in the manner permitted by Rule 26(d) for depositions taken in the instant action.

Rule 26(d) provides for two categories of use:

- (a) To contradict or impeach the testimony of the deponent as a witness.
- (b) For any purpose—which includes its use as testimony as well as to contradict or impeach the de-

ponent as a witness. In order to be so used the conditions specified in Rule 26(d), subdivision 2 or 3, must be present.

4. The burden is upon the proponent of a deposition to show that the conditions of Rule 26(d), subdivision 2 or 3, apply.

Professor Wigmore states the rule as follows:

“The *proponent* of the former testimony in the deposition is of course ordinarily the party to *prove the necessity* of resorting thereto in consequence of the witnesses’ unavailability in person.” (Author’s emphasis).

Wigmore on Evidence, 3rd Ed., Vol. 5, Sec. 1414, page 189, (citing authority).

5. There is nothing in the record to qualify the Jones deposition as testimony in this case and it does not constitute competent testimony. The record in fact shows affirmatively that the witness is a retired engineer and was before his retirement for 26 years an employee of the Union Oil Company. He lives at 4457 Via Pinzon in Palos Verdes Estates, California, which is less than 100 miles from the Court House (Record, pp. 1278-1279). He gave his deposition in the Public Use Proceedings during the pendency of this lawsuit.

(a) This Court may take judicial notice of the geographic fact that Mr. Jones’ home address is less than 100 miles from the Federal Court House in Los Angeles.

Kishan Singh v. Carver, (9th C. C. A. 1937) 88 F. 2d 672, 675.

(b) When, as it appears, no showing of unavailability of the witness Jones was made at the trial, the deposition should not be resorted to as testimony.

This is particularly true since this testimony is the critical testimony on which, as this Court has found, that the invalidity of the Hall No. 515 patent is based. This is likewise true where, as it appears here, the question of the credibility of the witness is involved. This Court has said in its decision page 5:

"It is apparent that, in sanctioning issuance of Hall patent No. 515, the Board of Patent Appeals was of the view that it had not been established that the Jones and Berdine device was rotatably mounted. An engineer who conducted the test, however, testified at the trial in this action that the device there used was rotatably mounted. The trial court apparently accepted this testimony as true. We have no basis for holding otherwise. The evidence as to the similarity of the two devices, and of the way they were mounted and used, is sufficient to sustain the finding of fact that Hall patent No. 515 lacked invention."

Judge Frank said in *Arnstein v. Porter*, (C. C. A. 2d, 1946) 154 F. 2d 464, at pp. 469-470:

"The right of a party, therefore, to have a witness subjected to the personal view of the jury, is a valuable right, of which he should not be deprived * * * except by necessity. And that necessity ceases whenever the witness is within the power of the court, and may be produced upon the trial."

No evidence of unavailability of Jones as a witness was introduced at the trial and there appears in the rec-

ord, no ruling by the Trial Court receiving the deposition as testimony in lieu of the appearance of Jones. There was thus nothing in the record of any offer of this deposition as testimony in this case and no opportunity presented to Hall to object to the introduction of his deposition in lieu of the testimony of Jones in open court. We submit that in the absence of a specific offer of this deposition as testimony, the failure to object to the use of this deposition at the time of its offer is not prejudicial to Hall's right to raise this issue before this Court. This is particularly so since this deposition was admissible under Rule 26 for the purpose of impeachment and not as testimony. Evidence offered as impeachment is limited to this use with the possible exception that it may also be used as admissions of the opposing party against his interest.

People v. Westcott, 86 Cal. App. 298, 312-314.

Bonebrake v. McCormick, 35 Cal. 2d 16, 18-19.

6. Since it must be presumed that the Trial Court's ruling, in absence of anything in the record to the contrary, was in conformance with Rule 26, we submit that the reception in evidence of the Jones deposition was limited to the purposes permitted under Rule 26 for a deposition taken in this action and was limited to its use for purposes of impeachment.

The reception of this deposition in evidence without objection does not mean of course that the Trial Court below gave any weight to it. In fact, the presumption is that the Trial Court did not. For if this deposition is incompetent as testimony, it will be presumed that the Court below gave

it no weight whatsoever, and the absence of an objection thereto is not significant.

In *Crowell v. Baker Oil Tools*, (9th C. C. A., 1946) 153 F. 2d 972, 975, the court said:

“Moreover, if the evidence was incompetent or immaterial, the presumption on appeal is that the court disregarded such evidence in reaching its conclusion.”

But even if an objection on this specific point would have been appropriate in the special circumstances shown by this record, the error in using this deposition as testimony would be so manifest as to permit of the rejection thereof, under the reserved discretion of this Court to correct error plain on the record.

United States v. Williams, (C. C. A. 2d, 1945) 146 F. 2d 651.

7. This record is silent as to any reliance by the Trial Court on this deposition as testimony. The judgment of the Trial Court was sustained by relying on this testimony. If this Court has come to the conclusion that the Trial Court in fact relied on this testimony, and was induced thereby to hold the Hall 515 patent invalid, then it is submitted that the Trial Court's judgment of invalidity of Hall 515 patent should be reversed.

In *Thompson v. Carley*, (8th C. C. A., 1944) 140 F. 2d 656, 660, the Court said:

“At the trial, the court stated that it would let the testimony go in for what it was worth, and there is nothing in the record to show that any finding of fact was based upon that testimony.

"In a nonjury case, the presumption is that the trial court considered only the competent evidence and disregarded all evidence which was incompetent. *Unkle v. Wills*, 8 Cir., 281 Fed. 29, 34; *Johnson v. Umsted*, 8 Cir., 64 F. 2d 316, 318; *Garden City Feeder Co. v. Commissioner*, 8 Cir., 75 F. 2d 804, 807; *Wude v. Blieden*, 8 Cir., 86 F. 2d 75, 77; *Hedrick v. Perry*, 10 Cir., 102 F. 2d 803, 808. In *Donnelly Garment Co. v. National Labor Relations Board*, 8 Cir., 123 F. 2d 215, 224, we said: 'If the record on review contains not only all evidence which was clearly admissible, but also all evidence of doubtful admissibility, the court which is called upon to review the case can usually make an end of it, whereas if evidence was excluded which that court regards as having been admissible, a new trial or rehearing cannot be avoided.' This Court will not reverse a trial court in a nonjury case for having admitted incompetent evidence, whether objected to or not, unless all of the competent evidence is insufficient to support the judgment appealed from or unless it affirmatively appears from the record that the incompetent evidence complained of was relied upon by the trial court and induced the court to make an essential finding which would not otherwise have been made. Compare *Kauk v. Anderson*, 8 Cir., 137 F. 2d 331, 334."

**THE APPELLATE COURT IS NOT BOUND UNDER RULE 52(a)
BY THE TRIAL COURT'S FINDING OF LACK OF
INVENTION OF HALL 515 PATENT.**

1. The rule makes findings of fact binding on an appellate court in absence of clear error, when the credibility of a witness is involved in the finding. The rule states:

“Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of a witness.”

But the fact found by the Trial Court does not depend on such a situation. When the competent evidence of the prior art is documentary and since the presence of invention thereover is a subjective opinion, this Court is not bound by the “clearly erroneous” provision of F. R. C. P. Rule 52(a).

Wire Tie Mach. Co. v. Pacific Box Corp., (9th C. C. A., 1930) 102 F. 2d 543, 552.

Stuart Oxygen Co. v. Josephian, (9th C. C. A., 1947) 162 F. 2d 857, at 859.

In the present case, the competent evidence before the Court is documentary, even if the deposition of Jones is used, since Jones was not presented as a witness before the Trial Court, and under these circumstances this Court may make its own determination from the evidence.

There has been considerable confusion arising from the differing opinions of the various courts as to the scope of review of a finding of lack of invention. The differing opinions of various appellate courts on the question is ably discussed by Judge Fahey in *Standard Oil Dev. Co. v. Marzall*, (C. A. D. C. 1950) 181 F. 2d 280, at 284. The difficulty seems to be that fundamentally the determination of the presence of invention depends on subjective opinion.

Judge Fahey states:

“It cannot well be denied that, given the facts in the present case regarding the prior art and the data

as to the new claims advanced, as well as other relevant facts, the question of patentability decided by the trial court 'must be resolved by a subjective opinion as to what seems an easy step and what does not.' *Kirsch Mfg. Co. v. Gould Mersereau*, 2 Cir., 1925, 6 F. 2d 793, 794, opinion by Judge Learned Hand. This subjective opinion or formulation of a judgment is not the finding of a fact in the usual sense envisaged by Rule 52, Fed. R. Civ. P. All facts are not of the same general character. A court need not ignore entirely the difference between an objective fact and a subjective opinion though each is termed a factual matter. Where the decision involves such a subjective opinion a somewhat wider latitude properly may be exercised by a reviewing court. This larger freedom must yet remain within the bounds established by the rule that the findings of fact of the trial court are not to be set aside unless clearly erroneous. This rule applies though a particular situation such as is now before us involves ultimately a judgment or opinion from known facts and therefore permits greater freedom in determining whether the resolution of the question by the trial court was clearly erroneous."

2. We submit that in the present instance, if this Court is of the opinion, as apparently it is, that a remand is not necessary, and that the Court may from the record decide the issues of primary fact which the Trial Court failed to make, that it should do so. But in that case it is not bound by the clearly erroneous standard of Rule 52.

Judge Minton said in *Dearborn Nat. Casualty Co. v. Consumers Petroleum Co.*, (7th C. C. A., 1947) 164 F. 2d 332, 333:

"The court made an ultimate finding of fact that the defendant notified the plaintiff of the accident 'as soon as practicable' thereafter, but no subsidiary findings of fact were made to indicate upon what findings this conclusion of ultimate fact was based. There must be such subsidiary findings of fact as will support the ultimate conclusion reached by the court. *Kelley et al. v. Everglades Drainage District*, 319 U. S. 415, 420, 422, 63 S. Ct. 1141, 87 L. Ed. 1485."

The finding that the patent is invalid as lacking invention over the prior art is so general that it is not easily tested by the evidence. Mr. Langdorf, the Librarian of this Court, has made pertinent remarks on this point. (See quotation in the lecture given by Judge Yankwich before the Judicial Conference of the Ninth Circuit, September 2, 1948, reported 8 F. R. D., p. 271, particularly page 285.)

A comparison of the findings found inadequately by the Supreme Court in *Schneidermann v. U. S.*, 320 U. S. 118, and the findings in this case illustrate our point.

We call attention to Judge Yankwich's remarks in his lecture (cited *supra*). See 8 F. R. D. 271, p. 286, note 11,

"* * * I have always felt that the findings of Judge Roche in *Schneidermann v. United States*, 1943, 320 U. S. 118, page 129, footnote 63 S. Ct. 1333, 87 L. Ed. 1796, were statements of ultimate facts of the type which we in California have always considered adequate."

Yet this is no longer adequate, and this Court, according to Judge Yankwich, has so ruled, as is set forth by Judge Yankwich in *Brooks v. Brooks Clothing Co.*, 5 F. R. D. 14,

p. 16, and see also this Court's remarks in *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353 (9 C. C. A., 1955).

We have before in our main brief, pages 73, etc., discussed the insufficiency of the Trial Court's finding of lack of invention. We refer respectfully to the discussion there. The inescapable fact is that the findings in this case are only of the ultimate fact of lack of invention and there are no findings of any primary fact.

3. The general rule that findings of fact will be sustained unless clearly erroneous requires that the court find the "primary facts" on which the ultimate fact is based. This Court has so clearly indicated.

In *Jancuzzi Bros. v. Berkeley Pump Co.*, (9th C. C. A. 1951) 191 F. 2d 632, this court said:

"The Trial Court found as a fact, based largely upon an incisive examination of the prior art, that the patents in suit were void for lack of invention. Although it is not expressly stated that this conclusion is based upon evidence establishing the thesis beyond a reasonable doubt, the Trial Court expressed no doubt. And the record shows that such conclusion was supported by substantial evidence. But it is contended that, since the Patent Office and the Trial Court disagreed, we should find the facts *de novo*. The assumption of such authority by the appellate court would be an usurpation. However, we examine the facts to determine whether the findings of the Trial Judge are clearly erroneous under Rule 52, Federal Rules of Civil Procedure, Title 28, U. S. C. A., and must be set aside.

"If there is not firm adherence to such a rule, everything is cast adrift. The trial courts find the facts. If appellate courts exercise no self-restraint, then, *after the primary facts are thus found*, these same facts are found anew twice over, with varying results. Not only is there no finality, but the findings may change with shifting personnel or on subsequent hearings. Not only finality, but stability is lost. All is confusion." (Emphasis added).

But it will be noted that in that case the Trial Court made findings of the primary facts on which its finding of lack of invention was based.

**THE EVIDENCE DOES NOT PROVE PRIOR KNOWLEDGE
OR USE OF THE INVENTION COVERED BY THE
CLAIMS OF THE HALL 515 PATENT.**

1. The evidence must establish facts of such prior knowledge or use beyond a reasonable doubt:

H. Wenzel Tent & Duck Co. v. White Stag Mfg. Co., (9th C. C. A., 1952) 199 F. 2d 740, 743.

2. The Jones and Berdine experiments did not constitute prior knowledge or use since they were experimental in nature and did not constitute a reduction to practice of the devices employed in the Jones tests.

Stearns v. Tinker & Razor, (9th C. C. A., 1955) 220 F. 2d 49, 55, 56, 58, citing many cases.

3. Since the Jones and Berdine test did not demonstrate the practical utility of the devices under conditions of practical operation in an oil well, and since these tests were not considered by any one to justify the manufacture or use of the devices shown in Figs. 14, 18 and 26

of Exhibit X, these tests do not constitute a reduction to practice.

Konet v. Haskins, (C. C. P. A., 1950) 179 F. 2d 1003, 1008.

Sinko Tool & Mfg. Co. v. Automatic Devices Corp., (2nd C. C. A., 1946) 157 F. 2d 974, 977.

Minnesota Mining & Mfg. Co. v. Van Cleef, (7th C. C. A., 1943) 139 F. 2d 550, 556.

Smith v. Bonsquit, (C. C. P. A., 1940) 111 F. 2d 157.

Metal Cutting Tool Service v. National Tool Co., (C. C. A. 6th, 1939) 103 F. 2d 581, 583.

4. Accidental use of elements of an invention which were unrecognized and unappreciated does not constitute anticipation.

Eibel Process Co. v. Minnesota & Ontario Paper Co. 261 U. S. 45, 66.

Cleveland Trust Co. et al. v. Schreiber-Schroth, 108 F. 2d 109, 113-114, reversed on another point, 311 U. S. 211.

Morgan Const. Co. v. Wellman-Leaver-Morgan, (9th C. C. A., 1921) 18 F. 2d 395, 399.

Dewey & Almy Chem. Co. v. Mimex Co., (C. C. A. 2d, 1942) 124 F. 2d 986, 989.

Loom v. Higgins, 105 U. S. 580, 591.

5. Jones' rudimentary experiments with the B & W, Inc., devices containing isolated features of the device covered by the Hall 515 patent, were merely abandoned experiments and not an anticipation.

Smith v. Snow, 294 U. S. 1, 17.

Symington Co. v. National Castings Co., 250 U. S.
383, 386.

Lyon v. Bausch & Lomb Optical Co., (2nd C. C. A.,
1955) 224 F. 2d 530, 533, 534.

Respectfully submitted,

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No. 14626

IN THE

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FOR THE NINTH CIRCUIT

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a corporation, *et al.*,

Appellants-Appellees,

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Appellees-Appellants.

Reply of B & W Inc. to Hall's Petition for Rehearing.

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AUTHORITY CITED

STATUTE	PAGE
United States Code, Title 35, Sec. 102.....	6

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In order to clarify the issues raised by the petition of Hall for rehearing anent validity of Hall 515 patent, the following memorandum is submitted:

The first point raised in the petition for rehearing is an endeavor to establish that the deposition of Philip Jones was not properly before the Court. For this purpose the full stipulation before the Trial Court is repeated hereinafter:

“Mr. L. E. Lyon: That proceeding is now before the Patent Office. Depositions have been taken on behalf of all parties from last February until May of this year. The matter was submitted to the Patent Office for its decision on August 14 of 1953 and is now awaiting decision. We have no way of determining when that decision will be handed down.

In that regard there is a procedural question which is presented before this court. The depositions of many witnesses were taken. All of the parties here before this court were represented before in those proceedings by the same counsel. The testimony is in many hundreds of pages. Many of the witnesses are here in this locality and many of them are not.

In preparing the defendant's case in this matter we would like to know whether those depositions, how many of them, may be considered as depositions taken in this case, or whether it will be necessary to reproduce, or whether the court may not desire to have reproduced those witnesses for testimony before this court.

The Court: What is the possible outcome of that public use proceeding?

Mr. L. E. Lyon: If you are asking me the outcome of it, that the application Serial No. 55,619 will be held to be barred by public use, and that the 63,701 application will be stricken from the files, as well as the 55,619 case, and the *prima facie* holding of fraud will be sustained by the Patent Office.

The Court: That is one possible outcome. I take it the other possible outcome will be contrary.

Mr. L. E. Lyon: That is right. There is always another possible outcome.

The Court: Then if the defendants here are successful in their challenge before the Patent Office, it would have the effect of eradicating all of the claims that have been allowed?

Mr. L. E. Lyon: That is correct, your Honor.

The Court: That is, allowed to Hall.

Mr. L. E. Lyon: That is correct. In fact the Patent Office has held there is a *prima facie* showing of prior public use in instituting the public use proceedings. They have so held by the decisions before your Honor. And it is an endeavor to—

The Court: Is there anything we may do here that may embarrass that proceeding?

Mr. L. E. Lyon: Of course, if the presentation of all of the evidence, your Honor, would be presented before this court under the provisions of paragraph 3 of the contract in that ambiguous clause that your Honor has ruled on which claims may issue, because it is all immaterial and irrelevant to that issue.

What I am asking now is a procedural question of how the evidence is to be produced here.

The Court: I assume we have some of it already in the record.

Mr. L. E. Lyon: We have a very small part of it, your Honor. We have witnesses—I can give your Honor an idea of who the witnesses were that were before the Patent Office, and the witnesses that were called on behalf of B & W were Wright, Barkis, Doble, P. H. Jones, Hearn, Evans of the Union Oil Company, Edmonds with respect to the Kelly well, Gioia, Aguirre, Naegle, Rutherford, Sweetser, Kelly. Those are the witnesses who were called on that issue.

The Court: Do you propose now to offer that testimony before the Patent Office in evidence here; is that it?

Mr. L. E. Lyon: I can do that, your Honor, or bring the witnesses back. It is going to take a great extended period of time to reproduce that testimony here.

Mr. Scofield: I do not see the bearing, your Honor, that any of that testimony, or little of it, will have in this proceeding, because that was the proceeding in the Patent Office to determine whether or not, first, there was a public use out against these three claims of Hall. I do not see how that matter will come into this case.

The Court: Except as part of the surrounding circumstances, I assume, to aid in interpretation. Anything in the way of history of the development prior to the making of the contract of September 15, 1944 might be relevant—would be relevant. It might not be highly material, but it would be relevant to any issue as to the circumstances surrounding the contract, in part, would it not?

Mr. Scofield: I was going on to point out that any of that testimony or any of the exhibits that may be relevant to this particular case, I am willing to stipulate that testimony or those exhibits into this record without producing the witness and without having to produce the witnesses myself. But I think but very little of that will be pertinent here. But I am willing to stipulate any of that record into this proceeding.

Mr. L. E. Lyon: My position in that regard is that I could not accept such a qualified stipulation as to what Mr. Scofield might deem as relevant.

The Court: I assume that the court might find relevant.

Mr. Scofield: That is right, anything that the court deems relevant.

The Court: In other words, whatever the court may find admissible may be received by way of the record in the Patent Office proceeding rather than

calling the witnesses here in person. Is that the effect of it?

Mr. Scofield: That is my offer.

Mr. L. E. Lyon: And then there is the question of whether or not it would be received by way of depositions or any evidence taken would be without regard as to whether the witnesses themselves were produced before the court, and only determined by the question of whether the evidence was pertinent, material, or relevant to this matter under the issues as formulated by the pleadings.

The Court: I assume it would be offered in the same way as a deposition or depositions of witnesses, and its admissibility would be determined in the same manner, is that correct?

Mr. Scofield: That is the stipulation.

Mr. L. E. Lyon: That is satisfactory to me."
[R. 723 to 728.]

It is obvious from the above set forth stipulation that the position taken by Hall in his petition for rehearing is not only erroneous but clearly contrary to the stipulation made in the Trial Court that the record in the public use proceeding be considered as part of the record before the Trial Court without the necessity of recalling the witnesses. The express purpose of the stipulation was to avoid recalling the witnesses, and for this purpose the testimony they gave in the public use proceedings was admitted into evidence in this case, the same as though the witnesses had personally testified before the Court or their deposition offered in lieu of the personal appearance. There is no grounds whatsoever for the argument made that the Jones deposition was not properly part of this record in view of the stipulation heretofore set forth.

The second point raised in the petition for rehearing is the assertion that the proofs of the Jones and Berdine test did not prove prior knowledge or use of the patented invention within the meaning of the Statute 35 U. S. C. 102. Obviously, such an assertion is wrong. 35 U. S. C. 102 provides, among the other defenses, subsection “(f) he did not himself invent the subject matter sought to be patented, or (g) before the applicant’s invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. * * *” The Patent Office stated in its decision in the public use proceedings, Plaintiffs’ Exhibit 216 [R. 3554]:

“The structure of Fig. 26 of the Jones and Berdine report is accordingly held to be sufficiently similar to that for which a patent is sought by the party Hall so as to constitute an equivalency thereof for public use purposes.”

In Plaintiffs’ Exhibit 216, the Patent Office continued to determine that the Jones and Berdine test did not constitute a public use. However, in Plaintiffs’ Exhibit 216A it was made clear that the Patent Office was only determining the question of public use and not prior knowledge as defined by subsections (f) and (g) of 35 U. S. C. 102, stating in the record at page 3585:

“* * * Moreover this proceeding was instituted for the purpose of proving a public use and not for the purpose of proving prior knowledge. The Patent Office does not conduct proceedings of the latter character, other than by means of interferences.”

Therefore, the assertion made in the petition for rehearing that the 515 patent is not invalid under 35 U. S. C. 102 is clearly wrong and completely ignores subsections (f) and (g), the basis for this Court’s and the Trial

Court's determination. There is no question but what Hall, the applicant for the 515 patent, was present at the Jones and Berdine test and witnessed such test long before his asserted date of conception. [See Deposition of Jesse E. Hall, July 15, 1948, Ex. 213, p. 7, line 1, to p. 8, line 7, incl.]

The Patent Office has held that the device of Jones and Berdine test was the same patentably speaking as Hall's 515 patent. Consequently, there is no question but what Hall did not himself invent the subject matter and that before Hall's invention, the invention was made by another in this country. Consequently, the 515 patent is clearly invalid.

It is, therefore, respectfully submitted that the petition for rehearing anent validity of Hall 515 patent should be denied.

Respectfully submitted,

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TOPICAL INDEX

PAGE

I.

Finding of Fact XXXIII is clearly erroneous and without any support in the record.....	2
--	---

II.

Finding of Fact XXXIV is clearly erroneous.....	7
---	---

III.

The court failed to apply the doctrine of the Supreme Court in Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.....	8
---	---

IV.

Finding B & W Inc. guilty of unclean hands is in error.....	11
Conclusion	13

TABLE OF AUTHORITIES CITED

CASES

PAGE

Celanese Corporation of America v. Essley Shirt Co., Inc. (2 Cir., 1938), 98 F. 2d 895.....	4
Celite Corporation v. Dicalite Co. (9 Cir., 1938), 96 F. 2d 242....	12
Jules D. Gratiot and Air-Maze Corporation v. Farr Company, No. 13,352 decided October 19, 1956.....	5, 6, 13
Alden Hansen v. Safeway Stores, Incorporated (9 Cir., 1956), 238 F. 2d 336.....	4
Modern Products Supply Co. v. Drachenberg (6 Cir., 1945), 152 F. 2d 203.....	4
Oil Conservation Engineering Co. v. Brooks Engineering Co. (6 Cir., 1931), 52 F. 2d 783.....	12
Patterson-Ballagh Corp. et al. v. Moss et al. (9 Cir., 1953), 201 F. 2d 403.....	4
Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.....	2, 8, 14
Ry-Lock Company, Ltd. v. Sears, Roebuck & Co. (9 Cir., 1955), 227 F. 2d 615.....	3, 6, 7
Trane Co. v. Nash Engineering Co. (1 Cir., 1928), 25 F. 2d 267	4

RULES

Federal Rules of Civil Procedure, Rule 52(a).....	5, 6, 13
---	----------

No. 14626
IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

JESSE E. HALL, WEATHERFORD OIL TOOL COMPANY,
INC., a corporation, *et al.*,

Appellants-Appellees,

vs.

KENNETH A. WRIGHT and B & W INC., a corporation,

Appellees-Appellants.

B & W Inc.'s Petition for Rehearing.

Now comes B & W Inc. and petitions the Court for a rehearing in this cause. In the opinion affirming the judgment of the lower court it was concluded that all of the patents involved were invalid. Included among the patents held invalid were Wright apparatus patent No. 2,374,317 and Wright method patent No. 2,338,372. The stated basis for this decision was simply that the question of invention is a question of fact and that the Trial Court's findings were not clearly erroneous. Also included among the patents held invalid was Hall Patent No. 2,671,515. This decision was predicated upon the evidence establishing that the prior Jones and Berdine device, which was tested a year and a half before the filing date of the first Hall application, and known to

Hall and his attorney Scofield, was structurally and functionally the same. The Court, however, made no reference to the admonition of the Supreme Court in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806.

The grounds for this petition are:

1. That Finding of Fact XXXIII that Patent No. 2,338,372 is invalid and void is clearly erroneous.

2. That Finding of Fact XXXIV that Patent No. 2,374,317 is invalid and void is clearly erroneous.

3. That this Court has failed to enforce the admonition of the Supreme Court in *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806, and thereby condoned the fraud perpetrated upon the Patent Office by Hall and his attorney Scofield in procuring the issuance of Hall Patent No. 2,671,515.

4. That this Court erred in finding B & W Inc. guilty of unclean hands.

I.

Finding of Fact XXXIII Is Clearly Erroneous and Without Any Support in the Record.

The Trial Court requested the attorney for Hall to identify the best prior art available against the Wright method patent No. 2,338,372. The response received was:

“Your Honor, I do not believe that there is any very good art.” (Vol. VII, p. 3283.)

Thus, it is admitted that none of the art of record taught the invention described and claimed in this Wright patent.

It was also stipulated that a real problem in oil well completion existed prior to Wright's invention. (Vol. VI, p. 2728.)

This Court in sustaining the decision of the Trial Court stated:

"The record is far from conclusive in favor of the finding of fact that Wright Patent No. 2,338,372 lacks invention. We are of the view, however, that such finding is sufficiently supported in the evidence so that we must hold it to be not clearly erroneous."

The Court in its decision does not identify what evidence supports such a finding. Certainly, from the above-quoted concessions by Hall's attorney, there is no support for such a finding.

The conclusion of the Court ignores the presumption of validity of a patent. The record is insufficient to overcome the presumption, see: *Ry-Lock Company, Ltd. v. Sears, Roebuck & Co.* (9 Cir. 1955), 227 F. 2d 615, wherein this Court reversed a Trial Court's judgment based upon findings which were clearer and more complete than the findings in this case, stating at page 618:

"This invention, made up by combination of elements, in a manner which was sufficiently new and novel to measure up to the accepted standards of invention, was not, in the language of *Himes v. Chadwick*, 9 Cir., 199 F. 2d 100, 'a mere aggregation of a number of old parts.' Hence, a finding which, as here, picks out one element in one prior patent and another element in another prior patent as a demonstration of anticipation, is manifestly insufficient to overcome the presumption arising from the issuance of the patent, a presumption reemphasized by the existing Act. 35 U. S. C. A. Sec. 282.

“We hold therefore that the findings of lack of invention and of anticipation are clearly erroneous. Sears wholly failed to present a case to justify the findings made. The record compels a finding that the patent was valid.”

See also *Alden Hansen v. Safeway Stores, Incorporated* (9 Cir., 1956), 238 F. 2d 336; *Patterson-Ballagh Corp. et al. v. Moss et al.* (9 Cir., 1953), 201 F. 2d 403.

All of the prior art patents relied upon by this Court, including *Bashara, Steps et al.*, *Braden and Hall*, were before the Patent Office. The patent was carefully scrutinized and it was finally allowed by the Patent Office Board of Appeals. Under such circumstances, the presumption of validity is greatly strengthened. (*Modern Products Supply Co. v. Drachenberg* (6 Cir., 1945), 152 F. 2d 203; *Trane Co. v. Nash Engineering Co.* (1 Cir., 1928), 25 F. 2d 267; *Celanese Corporation of America v. Essley Shirt Co., Inc.* (2 Cir., 1938), 98 F. 2d 895.) The Court stated at page 896:

“The application for the patent in suit was filed December 15, 1925 and followed an application for a British patent filed on January 23d of the same year. The patent was granted on April 18, 1933, after considerable controversy in the Patent Office and after review by the Board of Appeals. The usual presumption of validity is therefore entitled to great weight though, of course, it may be overcome by clear proof. See *J. A. Mohr & Son v. Alliance Securities Co.*, 9 Cir., 14 F. 2d 799.”

This Court has stated that there is no clear proof that the patent is invalid and consequently the decision of this Court is contrary to prior decisions of this as well as other Circuit Courts.

The decision of this Court is also in direct conflict with still another decision of this same Court. Thus, in *Jules D. Gratiot and Air-Maze Corporation v. Farr Company*, No. 13,352 decided October 19, 1956, the Farr patent in suit had been held valid and infringed in the Trial Court. Finding of Fact 13 reads as follows:

“13. The device of the French Patent No. 739,956 to Niestle, Defendants’ Exhibit B, Tab 15, is a filter made of expanded sheets set at right angles to the intended flow of air rather than parallel as in the Farr patent in suit. When made of metal gauze and oiled the expanded sheets would present a solid wall. The French patent to Niestle does not operate by the same mode of operation or achieve the advantages of the Farr patent in suit.”

With respect to this finding, the Court stated: “We do not agree with this finding.” As a result, the Court reversed the judgment of the Trial Court.

In this case, the Court applies an entirely different test and entirely different standard. Here the Court says it does not agree with the Trial Court’s finding that the Wright Patent No. 2,338,372 was invalid but that there was some evidence (unidentified) to support same; hence, it was not clearly erroneous.

Is this Court adopting a double standard for the application of Rule 52(a) F. R. C. P.—one to be used when it desires to affirm, another when it desires to reverse? The patent bar is faced with a hopeless problem of prognosticating the treatment a judgment will receive in this Court under this dual application of Rule 52(a). It is believed this Court should clarify and standardize its application of Rule 52(a). If the stan-

dard of *Gratiot et al. v. Farr Company* (*supra*) is applicable, then clearly the present decision is erroneous.

Even if the Court adheres to the much stricter and rigid rule of the instant decision, it is submitted that the Finding of Fact XXXIII is clearly erroneous in view of the state of the record. This Court, Hall's attorney and the Trial Court have not identified what prior art assertedly invalidates the patent. Nowhere can the party Wright find any statement of why the patent is invalid, except the broad generalization that it is "invalid in view of the prior art". What art? No one has yet stated what patents contain a teaching of the invention. If it is the basis of the Court's decision that the individual elements were present in the prior art and hence the patent is invalid, such a decision is in direct conflict with the decision of this same Court in *Ry-Lock Company, Ltd. v. Sears, Roebuck & Co.* (*supra*).

Hence, it is apparent that the present decision in effect overrules all of the prior decisions of this Court with respect to the effect of the presumption of validity of a patent and the nature of the evidence necessary to overcome same.

The decision of this Court in effect overrules the application of Rule 52(a) F. R. C. P. as applied in *Jules D. Gratiot et al. v. Farr Company* (*supra*), and establishes a new test for applying this rule. If it was the purpose of this Court to overrule its prior decisions, it is believed the bar should be so advised. If it is not the purpose of this Court to overrule itself, then the holding of invalidity of Wright Patent No. 2,338,372 is obviously in error and the judgment in this respect should be reversed.

II.

Finding of Fact XXXIV Is Clearly Erroneous.

Wright apparatus patent No. 2,374,317 was likewise held invalid "over the state of the prior art." Here again, the patent application was carefully scrutinized and allowed by the Patent Office Board of Appeals, considering the Black and Stroebel, as well as most of the other patents.

Here again, this Court stated "on the question of whether this patent was anticipated, the record is anything but clear." Is this the clear proof required by *Ry-Lock-Company, Ltd. v. Sears, Roebuck & Co. (supra)*, or is this Court overruling that decision?

It is believed that Finding of Fact XXXIV is clearly erroneous for the same reasons as Findings of Fact XXXIII, which reasons are fully set forth in the preceding section of this petition.

This Court concluded that Patent No. 2,374,317 specified a nonrotatable device with radial arms. Such finding is clearly contrary to all the evidence. The patent states that the scratcher is secured to the pipe, and this it is. A sleeve 14 surrounds casing 11, obviously free to move vertically thereon and rotate thereon between stops on the casing. The Jones and Berdine tests establish the device was rotatable as did all the other evidence before the Court. It is specifically stated in the patent that the length of the fingers is greater than the space between casing 11 and bore 10. Consequently, when the scratcher is lowered in the well, the fingers bend tangentially because of the arcuate shank portion 21 and its mounting on sleeve 14. Thus the record clearly establishes, and the patent clearly describes, a scratcher rotatably mounted upon the casing,

having tangentially disposed fingers when lowered into a well. The fingers thus have a tangential disposition when operating. What their position is when not operating is of no consequence.

It is submitted therefore that Patent No. 2,374,317 is valid and that Hall has failed to carry the burden of establishing the contrary in view of the decisions of this Court cited in the prior section of this petition.

III.

The Court Failed to Apply the Doctrine of the Supreme Court in Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.

In *Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company*, 324 U. S. 806, at page 818, the Supreme Court stated:

"1. It chose to keep secret its belief and allegedly unsubstantial proof of the facts concerning Larson's perjury. We need not speculate as to whether there was sufficient proof to present the matter to the District Attorney. But it is clear that Automotive knew and suppressed facts that, at the very least, should have been brought in some way to the attention of the Patent Office, especially when it became evident that the interference proceedings would continue no longer. Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitable-ness underlying the applications in issue. Cf. *Crites, Inc. v. Prudential Ins. Co.*, 322 U. S. 408, 415, 88 L. ed. 1356, 1361, 64 S. Ct. 1075. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to

independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' *Hazel-Atlas Glass Co. v. Hartford-Empire Co. supra* (322 U. S. 246, 88 L. ed. 1255, 64 S. Ct. 997)."

It is the duty of this Court as of all other Courts to protect the public interest and to safeguard the Patent Office against issuing fraudulently obtained patents. In the present litigation, it was argued before the Board of Appeals that the Jones and Berdine test scratcher did not involve a rotatable structure. This Court stated at page 5 of its opinion:

"It is apparent that, in sanctioning issuance of Hall patent No. 515, the Board of Patent Appeals was of the view that it had not been established that the Jones and Berdine device was rotatably mounted. An engineer who conducted the test, however, testified at the trial in this action that the device there used was rotatably mounted. The trial court apparently accepted this testimony as true. We have no basis for holding otherwise. * * *"

recognizing that the Jones and Berdine device was, in fact, rotatable contrary to the representation of Hall and his attorney Scofield to the Patent Office. Hall and his attorney Scofield, who misrepresented the facts to the Patent Office, knew that the Jones and Berdine test structure was rotatable, and the representation that was made to the Board of Appeals of the Patent Office was false. In

a letter dated June 2, 1954 from John A. Hall to Thomas E. Scofield, Plaintiff's Exhibits 194, 195 and 196, the rotatability of the B & W scratcher tested by Jones and Berdine is called to the attention of the attorney Scofield. It was only after this misrepresentation that the Patent Office issued the Hall patent.

In the reply brief for Kenneth A. Wright and B & W Inc., the fraudulent concealment by Hall, which induced the granting of Patent No. 2,671,515, is fully set forth in the section beginning upon page 25.

As also fully discussed in the reply brief beginning at page 17, is the false supplemental oath filed in application Serial No. 627,013, in which oath Hall swore that the inside stud mounting, as defined by claims 3, 4, 5 and 9, had not been in public use or on sale more than a year prior to the filing of his application, Exhibit K. This is contrary to Exhibit A supplied by Hall which illustrates the Acme scratcher sold July 7, 1941, four years prior to the oath.

Also on page 19 of the Reply Brief of Kenneth A. Wright and B & W Inc. full details concerning the fraudulent petition to make special application Serial No. 55,619 were set forth. Hall and his attorney Scofield, in order to induce the Patent Office to take special action upon application Serial No. 55,619, knowingly filed false affidavits accompanying a "Petition to Make Special". There was no scratcher discovered on or about August 15, 1948 by Jesse Hall, as stated in his affidavit in support of the peti-

tion to make special. There was no infringing device on the market with which attorney Thomas E. Scofield made a rigid comparison with the claims of the application, as set forth in his affidavit accompanying the petition to make special. The two devices which were on the market at the time of this petition were the wall cleaning guide of B & W Inc., which had been sold since 1939 and was well-known to both Hall and his attorney Scofield, and the multiflex scratcher, which admittedly was not the scratcher purportedly covered in the petition to make special, Exhibit EEE, Vol. IX, pp, 3787, 89. Thus, in three separate instances Hall and his attorney Scofield knowingly mislead and deceived the Patent Office. Such fraud perpetrated on the Patent Office should not be brushed off and thus condoned by this Court.

IV.

Finding B & W Inc. Guilty of Unclean Hands Is In Error.

Two acts of B & W Inc. are relied upon as constituting unclean hands. First is the notifying of customers of ownership of the Wright patents. At no time did B & W Inc. threaten suit upon the Wright patents. The only notice to customers of plaintiff established in the record is the disclosure to the Gulf Company by B & W Inc. of ownership of the Wright patents. No other notice was sent out. This Court and the Trial Court both refer to the notification of plaintiff's customers. What customers? Where in the record is there any proof of such notification?

The negotiations with the Gulf Company cannot be termed a notice of infringement or a threat of suit as it was expressly stated that the Gulf Company would not be sued on the Wright patents. (Vol. II, p. 594—B & W Inc.'s Op. Br. p. 53.) To hold this constitutes unclean hands is a holding that a patentee may not advise an individual of the fact of ownership of a patent unless he intends to sue him. This Court, the Trial Court and Hall's attorney have failed to cite any authorities in support of this startling proposition. B & W Inc.'s attorneys have been unable to locate any cases discussing such a doctrine. However, the conclusion is contrary to the reasoning in the following cases: *Celite Corporation v. Dicalite Co.* (9 Cir., 1938), 96 F. 2d 242; *Oil Conservation Engineering Co. v. Brooks Engineering Co.* (6 Cir., 1931), 52 F. 2d 783.

Thus, it is requested that the Court reconsider this basis for its holding of unclean hands. The record fails to establish the existence of any of the notices this and the Trial Court relied upon. The simple fact is B & W Inc. did not send out the notices and this Court, as well as the Trial Court, have confused the activities of Hall with those of B & W Inc.

The second act of unclean hands relied upon is the Scratchers suits. It is stated that these suits were instituted to serve as a basis for sales propaganda. This is not true, and there is no evidence in the record to support such a statement. Nowhere in the record is there one shred of evidence that the existence of the Scratchers

suits was conveyed to anyone other than the parties thereto. There is no proof of publicity of any kind concerning this litigation.

The decision of this Court therefore is that the filing of a lawsuit and its dismissal with the consent and agreement of the defendant in and of itself constitutes unclean hands. Obviously, no case authority for such a proposition exists and none is cited.

Consequently, it is believed the Court should carefully reconsider the two drastic extensions of the doctrine of unclean hands its decision announces.

Conclusion.

B & W Inc. respectfully submits that the Findings of Fact XXXIII and XXXIV are clearly erroneous. This Court has expressed its view that the same are not clearly supported by the record. Hall has failed to overcome the presumption of validity by the clear proof required by prior decisions of this Circuit and other Circuit Courts. In each instance, the record establishes the presence of patentable invention and the Wright Patents Nos. 2,338,372 and 2,374,317 should be held valid.

The standard of application of Rule 52(a) of the Federal Rules of Civil Procedure applied in *Jules D. Gratiot et al. v. Farr Company* (*supra*) requires, in this instance where the Court disagrees with the findings, that Findings XXXIII and XXXIV be held to be clearly erroneous. The Court should also include in its judgment a determination that the Hall Patent No. 2,672,515 is unenforceable under

the doctrine of the *Precision Instrument Manufacturing Company* case (*supra*) because of the fraud practiced by Hall and his attorney Scofield on the Patent Office in inducing issuance of this patent. It is also submitted that upon reconsideration the Court will find it has confused the activities of Hall with those of B & W Inc. and that no act of B & W Inc. constitutes unclean hands.

The petitioner respectfully requests it be granted a rehearing on these points.

Dated at Los Angeles, California, this 14th day of February, 1957.

Respectfully submitted,

LYON & LYON,

LEWIS E. LYON,

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*Attorneys for Kenneth A. Wright and
B & W Inc.*

Certificate of Counsel.

I, LEWIS E. LYON, of counsel for petitioner in the above-entitled action, hereby certify that the foregoing petition for rehearing of this case is presented in good faith and not for delay, and in my opinion is well-founded in law and in fact and proper to be filed herein.

LEWIS E. LYON,

Attorney for Petitioner.

